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Yunhong Guixin Group Holdings Limited

運鴻硅鑫集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8349)

MAJOR TRANSACTION DISPOSAL OF 100% EQUITY INTEREST IN A WHOLLY OWNED SUBSIDIARY

DISPOSAL OF 100% EQUITY INTEREST IN THE TARGET COMPANY

The Board is pleased to announce that on 19 July 2022 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with Purchaser A and Purchaser B, pursuant to which the Vendor has conditionally agreed to sell, and Purchaser A and Purchaser B have conditionally agreed to respectively purchase, Sale Interest A, representing 90% of the equity interest in the Target Company and Sale Interest B, representing 10% of the equity interest in the Target Company, at the total consideration of RMB31,000,000 in accordance with the terms and conditions of the Equity Transfer Agreement. Upon Completion, the Target Company will cease to be a subsidiary of the Company.

GEM LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios as calculated under Rule 19.07 of the GEM Listing Rules in respect of the Disposal exceeds 25% but all of them are less than 75%, the Disposal constitutes a major transaction of the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements thereunder.

The Company will convene an extraordinary general meeting for the Shareholders to consider and, if though fit, approve the Equity Transfer Agreement and the transactions contemplated thereunder.

A circular containing (i) further information of the Equity Transfer Agreement and the Disposal; (ii) other information as required under the GEM Listing Rules; and (iii) a notice of the extraordinary general meeting be despatched to the Shareholders on or before 30 August 2022.

As Completion is conditional upon fulfilment of the conditions precedent set out in the Equity Transfer Agreement, the Disposal may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

INTRODUCTION

The Board is pleased to announce that on 19 July 2022 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with Purchaser A and Purchaser B, pursuant to which the Vendor has conditionally agreed to sell, and Purchaser A and Purchaser B have conditionally agreed to respectively purchase, Sale Interest A, representing 90% of the equity interest in the Target Company and Sale Interest B, representing 10% of the equity interest in the Target Company, at the total consideration of RMB31,000,000 in accordance with the terms and conditions of the Equity Transfer Agreement.

EQUITY TRANSFER AGREEMENT

The major terms of the Equity Transfer Agreement are set out below:

Date: 19 July 2022 (after trading hours)

Parties: (i) the Vendor, an indirect wholly-owned subsidiary of the Company
(ii) Purchaser A and Purchaser B

To the best knowledge, information and belief of the Directors after making reasonable enquiries, as at the date of this announcement, Purchaser A and Purchaser B are third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules).

Subject matter of the Equity Transfer Agreement

Pursuant to the Equity Transfer Agreement, the Vendor has conditionally agreed to sell and Purchaser A and Purchaser B have conditionally agreed to respectively purchase, Sale Interest A, representing 90% of the equity interest in the Target Company and Sale Interest B, representing 10% of the equity interest in the Target Company, free from all encumbrances and together with all rights attaching thereto as from the Completion Date, including but not limited to all dividends paid, declared or made the record date for the entitlement of which falls on or after the Completion Date.

Consideration of the Sale Interests

Consideration A of the Sale Interest A is RMB27,900,000 and Consideration B of the Sale Interest B is RMB3,100,000. The considerations were determined on the basis of normal commercial terms after arm's length negotiations between the Vendor and Purchaser A and Purchaser B with reference to, among other things, the Net Asset Value and a valuation of 100% equity interest of the Target Company undertaken by an independent valuer.

The Directors (including the independent non-executive Directors) consider that the considerations are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Payment of consideration

Pursuant to the terms of the Equity Transfer Agreement, Purchaser A and Purchaser B are required to pay Consideration A and Consideration B respectively to the Vendor in the following manner:

- (1) Purchaser A shall pay RMB2,790,000 and Purchaser B shall pay RMB310,000 within three Business Days after the signing of the Equity Transfer Agreement;
- (2) Purchaser A shall pay RMB22,310,000 and Purchaser B shall pay RMB1,480,000 within three Business Days after the Shareholders approved the Disposal at the extraordinary general meeting of the Company; and
- (3) the remaining balance of Consideration A and Consideration B shall be paid within three Business Days after the completion of the registration of the transfer of Sale Interest A and Sale Interest B to Purchaser A and Purchaser B respectively with the relevant administration for industry and commerce.

Conditions precedent

Completion is conditional upon the satisfaction of the Vendor having obtained all consents and approvals (where applicable) from its board of director(s), the Shareholders, relevant government departments, authorities (including but not limited to the Stock Exchange) or any third party (if any) for the implementation of the Disposal contemplated under the Equity Transfer Agreement.

If the abovementioned conditions precedent has not been fulfilled on or before 31 December 2022, the Equity Transfer Agreement shall be terminated, and thereafter none of the parties to the Equity Transfer Agreement shall have any rights or obligations towards each other in connection with the Equity Transfer Agreement except for any antecedent breach.

If the Equity Transfer Agreement is terminated, the Vendor shall refund the amount of considerations paid by Purchaser A and Purchaser B respectively (without any interest) within five Business Days after the date of termination of the Equity Transfer Agreement.

Completion

Completion shall take place on the Completion Date.

Upon Completion, the Target Company will cease to be a subsidiary of the Company and its financial results, assets and liabilities will no longer be consolidated into the financial statements of the Company.

INFORMATION ON THE PURCHASERS

Both Purchaser A and Purchaser B are a PRC citizen and merchant.

Purchaser A and Purchaser B control a company which has been a tenant of the factory premise which is currently owned by the Target Company. The company is principally engaged in manufacturing power equipment spare parts, communication switching equipment, metal and plastic products, etc.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, both Purchaser A and Purchaser B are third parties independent of the Company and its connected persons.

INFORMATION ON THE COMPANY AND THE VENDOR

The principal activity of the Company is investment holding. The Group is principally engaged in research and development, production and sales of fiberglass reinforced plastic products in the PRC.

The Vendor is a company incorporated in the PRC with limited liability, which is an indirect wholly-owned subsidiary of the Company. The Vendor is principally engaged in research and development, production and sales of fiberglass reinforced plastic products in the PRC.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in the PRC with limited liability. The Target Company principally engaged in property investment. As at the date of this announcement, the Target Company is wholly owned by the Vendor.

FINANCIAL INFORMATION OF THE TARGET COMPANY

Set out below is a summary of the financial information of the Target Company from 20 July 2021 (date of incorporation) to 31 December 2021:

	<i>RMB'000</i> (Audited)
Revenue	80
Loss before taxation	308
Loss after taxation	231

The net asset value of the Target Company based on its unaudited management accounts as at 30 June 2022 was approximately RMB30,742,000.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Directors have been constantly scrutinizing the businesses of the Group from time to time in order to increase the competitiveness of and strengthen the financial position of the Group. The major asset of the Target Company is the factory premise which is currently leased to a company controlled by Purchaser A and Purchaser B. The Directors consider that the Disposal provides an opportunity to the Group to realise its investment in the Target Company so as to enable the Group to strengthen its liquidity position and reallocate its resources for future development or any potential suitable investment opportunities that may arise in the future.

The Directors (including all the independent non-executive Directors) consider that the terms of the Equity Transfer Agreement are fair and reasonable, and the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

FINANCIAL IMPLICATIONS AND USE OF PROCEEDS FROM THE DISPOSAL

Upon Completion, the Company expects to realise a net gain of approximately RMB633,000 on the Disposal, being the difference between (i) the proceeds of Disposal of approximately RMB31,000,000 and (ii) the Net Assets Value of approximately RMB30,367,000.

The final disposal gain at the Completion Date is subject to the net assets value of the Target Company at the Completion Date.

The Group intends to use the proceeds of the Disposal for provision of general working capital for the Group.

GEM LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios as calculated under Rule 19.07 of the GEM Listing Rules in respect of the Disposal exceeds 25% but all of them are less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements thereunder.

The Company will convene an extraordinary general meeting for the Shareholders to consider and, if though fit, approve the Equity Transfer Agreement and the transactions contemplated thereunder.

A circular containing (i) further information of the Equity Transfer Agreement and the Disposal; (ii) other information as required under the GEM Listing Rules; and (iii) a notice of the extraordinary general meeting be despatched to the Shareholders on or before 30 August 2022.

As Completion is conditional upon fulfilment of the conditions precedent set out in the Equity Transfer Agreement, the Disposal may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, the following expressions have the following meanings, unless the context otherwise requires:

“Board”	Board of Directors
“Business Day”	a day (other than a Saturday, Sunday and public holiday) on which banks in Hong Kong are open for business and provide normal banking services
“Company”	Yunhong Guixin Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on GEM of the Stock Exchange (stock code: 8349)
“Completion”	completion of the Disposal in accordance with the terms of the Equity Transfer Agreement
“Completion Date”	the date of completion of the transfer of the Sale Interests by the Vendor to Purchaser A and Purchaser B
“connected person(s)”	has the meaning as ascribed to it under the GEM Listing Rules
“Consideration A”	the consideration of the Sale Interest A being RMB27,900,000
“Consideration B”	the consideration of the Sale Interest B being RMB3,100,000
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Sale Interests by the Vendor to Purchaser A and Purchaser B
“Equity Transfer Agreement”	the conditional equity transfer agreement dated 19 July 2022 between the Vendor and Purchaser A and Purchaser B in relation to the Disposal
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Net Asset Value”	the net asset value is based on the audited financial statements of the Target Company as of 31 December 2021
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan)
“Purchaser A”	Chen Xiaosong* 陳曉松
“Purchaser B”	Lu Yaliang* 陸亞良
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interest A”	90% equity interest in the Target Company owned by the Vendor
“Sale Interest B”	10% equity interest in the Target Company owned by the Vendor
“Sale Interests”	Sale Interest A and Sale Interest B
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued and unissued share capital of the Company
“Shareholder(s)”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Nantong Deerhui Precision Equipment Technology Co., Ltd.* 南通德而匯精密設備科技有限公司, a company incorporated in the PRC with limited liability which is wholly owned by the Vendor

“Vendor” Nantong Meigu Composite Materials Company Limited, a company incorporated in the PRC with limited liability, which is an indirect wholly-owned subsidiary of the Company

“%” per cent

* *for identification purposes only*

By order of the Board
Yunhong Guixin Group Holdings Limited
Li Yubao
Chairman

Hong Kong, 19 July 2022

As at the date of this announcement, the executive Directors are Mr. Li Yubao, Ms. Zhang Yaping and Ms. Shi Dongying and the independent non-executive Directors are Mr. Lee Man Tai, Mr. Tam Tak Kei Raymond and Mr. Ng Sai Leung.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the Stock Exchange’s website at www.hkgem.com on the “Latest Listed Company Information” page for 7 days from the date of its posting and on the website of the Company at www.nantongrate.com.