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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)

DISCLOSEABLE TRANSACTION IN RESPECT OF THE TENANCY AGREEMENT

On 29 December 2022, the Tenant (an indirectly wholly-owned subsidiary of the Company) and the Landlord entered into the Tenancy Agreement in respect of the leasing of the Premises for a term of three years.

Pursuant to HKFRS 16, the entering into the Tenancy Agreement as tenant will require the Group to recognise the Premises as the right-of-use asset on its consolidated statement of financial position, thus the Tenancy Agreement and the transaction contemplated thereunder will be regarded as an acquisition of asset by the Group under the GEM Listing Rules.

Given that one or more of the applicable percentage ratios under Rule 19.07 of the GEM Listing Rules in respect of the value of the right-of-use asset to be recognised by the Group pursuant to HKFRS 16 is more than 5% but less than 25%, the transaction contemplated under the Tenancy Agreement constitutes a disclosable transaction for the Company, and is subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

INTRODUCTION

On 29 December 2022, the Tenant (an indirectly wholly-owned subsidiary of the Company) and the Landlord entered into the Tenancy Agreement in respect of the leasing of the Premises for a term of three years.

THE TENANCY AGREEMENT

A summary of the principal terms of the Tenancy Agreement is as follows:

- Date: 29 December 2022
- Parties: Landlord: Meigu New Materials (Nantong) Company Limited* (美固新材料(南通)有限公司)
- Tenant: Nantong Meigu Composite Materials Company Limited (南通美固複合材料有限公司), an indirectly wholly-owned subsidiary of the Company
- The Landlord is a company established in the PRC with limited liability. Its principal business activity is research and development, production and sales of new types of environmentally friendly materials. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the Landlord and its ultimate beneficial owner(s) is an Independent Third Party.
- Term: 3 years commencing from 1 January 2023 to 31 December 2025
- Premises: Building No. 1 (3,800.9 square meters), Warehouse No. 2 (751.13 square meters), Warehouse No. 3 (4,443.13 square meters), Workshop No. 5 (7,248 square meters), Workshop No. 6 (7,550.07 square meters) in No. 26 Tonglihu Road, Suxitong Industrial Park, Nantong Development Zone, Jiangsu province, PRC. The total area is about 23,793.23 square meters.
- Rental payment: Annual rental of RMB2,850,000 to be paid quarterly
- Termination: The lease of the Premises will be terminated in accordance with the Tenancy Agreement.

Based on the annual rental under the Tenancy Agreement, the total consideration payable by the Tenant under the Tenancy Agreement will be RMB8,550,000 and is expected to be financed by the internal resources of the Group. The unaudited value of the right-of-use asset to be recognised by the Company under the Tenancy Agreement amount to approximately RMB7,944,000, which is the present value of total consideration payable under the Tenancy Agreement in accordance with HKFRS 16.

REASONS FOR AND BENEFITS OF THE TENANCY AGREEMENT

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 Premises will be used for undertaking the manufacturing operations of the Group. The aggregate rentals payable under the Tenancy Agreement were arrived at after arm's length negotiation between the parties to the Tenancy Agreement and determined with reference to, amongst other things, the current market rent payable for property similar to the Premises and of comparable utility. The Directors (including the independent non-executive Directors) are of the view that the abovementioned rentals are fair, reasonable and in line with the market level, and the entering into the Tenancy Agreement is in the interests of the Group and its Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

Pursuant to HKFRS 16, the entering into the Tenancy Agreement as tenant will require the Group to recognise the Premises as the right-of-use asset on its consolidated statement of financial position, thus the Tenancy Agreement and the transaction contemplated thereunder will be regarded as an acquisition of asset by the Group under the GEM Listing Rules.

Given that one or more of the applicable percentage ratios under Rule 19.07 of the GEM Listing Rules in respect of the value of the right-of-use asset to be recognised by the Group pursuant to HKFRS 16 is more than 5% but less than 25%, the transaction contemplated under the Tenancy Agreement constitutes a disclosable transaction for the Company, and is subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors;
“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);
“Director(s)”	the director(s) of the Company;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange;

“Group”	the Company and its subsidiaries;
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Third Party”	third party independent of and not connected with the Company and its connected persons (has the meanings as ascribed to it under the GEM Listing Rules);
“Landlord”	Meigu New Materials (Nantong) Company Limited* (美固新材料(南通)有限公司), a company incorporated in PRC with limited liability;
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;
“Premises”	Building No. 1 (3,800.9 square meters), Warehouse No. 2 (751.13 square meters), Warehouse No.3 (4,443.13), Workshop No. 5 (7,248 square meters), Workshop No. 6 (7,550.07 square meters) in No. 26 Tonglihu Road, Suxitong Industrial Park, Nantong Development Zone, Jiangsu province, PRC;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	holder(s) of the Share(s) from time to time;
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Tenancy Agreement”	the tenancy agreement entered into between the Tenant and the Landlord on 29 December 2022 for the lease of the Premises;
“Tenant”	Nantong Meigu Composite Materials Company Limited (南通美固複合材料有限公司), a company incorporated in the PRC with limited liability, which is an indirect wholly-owned subsidiary of the Company;

“Term” 3 years commencing from 1 January 2023 to 31 December 2025; and

“%” per cent.

* for identification purpose only

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

Hong Kong, 29 December 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 of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange 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.