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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)

FULFILMENT OF RESUMPTION GUIDANCE RESUMPTION OF TRADING AND SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO (I) DISCLOSEABLE TRANSACTIONS AND (II) 2022 ANNUAL REPORT

This announcement is made by the board (the "**Board**") of directors (the "**Directors**") of Yunhong Guixin Group Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") pursuant to Rules 17.10 and 17.26A of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**") and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong).

References are made to the announcements of the Company dated 16 March 2023, 17 March 2023, 31 March 2023, 3 April 2023, 12 May 2023, 30 June 2023, 27 July 2023, 30 August 2023, 29 September 2023, 6 October 2023, 7 November 2023 and 2 January 2024 (collectively, the "**Announcements**"), in relation to, among other things, the suspension of trading of in the shares of the Company and the resumption guidance for the Company.

Unless otherwise stated, capitalized terms used in this announcement shall have the same meanings as those defined in the Announcements.

BACKGROUND OF SUSPENSION OF TRADING

As disclosed in the Announcements, trading in the Company's shares has been suspended from 9:00 a.m. on 3 April 2023, pending the fulfilment of the Resumption Guidance.

In the course of conducting the annual audit process, on or about 3 March 2023, the former auditor of the Company, Crowe (HK) CPA Limited ("**Crowe**"), discovered that from July 2022 to December 2022, several outgoing funds (the "**Outgoing Funds**") totalling RMB31,300,000 were transferred from Nantong Meigu Composite Materials Company Limited ("**Meigu**") and Hubei Aoxun New Material Technology Company Limited ("**Aoxun**"), both are the wholly owned subsidiaries of the Company, to Yunhong Group Co., Limited ("**Yunhong Group**"), which is the controlling shareholder of the Company and ultimately controlled by Mr. Li Yubao ("**Mr. Li**"), the chairman and executive Director. Crowe identified an issue in relation to discrepancies between the amounts paid by Yunhong Group on behalf of the Company and the amounts repaid to it by the Company (the "**Audit Issues**").

At the time of identification of the Audit Issues, the Company's staff had debited the entire amount of the Outgoing Funds, i.e. RMB31.1 million as other receivables in the books of Meigu and Aoxun.

According to the management of the Company (the "**Management**"), about RMB11.4 million of the Outgoing Funds was used to repay the shareholders' loans (the "**Loans**" as defined below). About RMB19.9 million of the Outgoing Funds was used to repay Mr. Li for the money paid by Mr. Li (the "**Advances**") through his controlling companies, Yunhong Group and Zhangwu Guogui Mining Co. Ltd*彰武國硅礦業有限公司("**Zhangwu Guogui**") (collectively referred as the "**Payer**") on behalf of the Group for the construction of production line for Guogui New Material (Inner Mongolia) Company Limited* 國硅新材料(內蒙古)有限公司 (formerly known as Guogui new material (Liaoning) Company Limited* 國硅新材料(遼寧)有限公司) ("**Guogui**"), an indirect wholly-owned subsidiary of the Company established on 8 October 2021 by the Group.

At the time of identification of the Audit Issues, the Company owed Singa Dragon International Ventures Limited ("**Singa Dragon**"), the former controlling shareholders of the Company, Mr. Li, Ms. Zhang Yaping ("**Ms. Zhang**"), the executive Director and Yunhong Group in an aggregated amount of approximately RMB11.4 million (collectively referred as the "**Loans**"), which was recorded in the books of the Company. The Loans were assigned to Yunhong Group and approximately RMB11.4 million of the Outgoing Funds represented the repayment of the Loans. The purpose of the Loans were mainly for the payments of operating expenses and other professional fees of the Group.

The remaining other receivables of approximately RMB19.9 million was amount due from Yunhong Group, which caught the attention of Crowe, leading to the identification of the Outgoing Funds and Audit Issues, and thus the delay of the publication of the 2022 Annual Results and 2022 Annual Report.

At the time of identification of the Audit Issues, the accounting staff of Guogui did not realise that Mr. Li paid the construction payments on behalf of Guogui through his controlling companies, i.e. Zhangwu Guogui and Yunhong Group in an aggregated amount of approximately RMB19.9 million. Accordingly, the accounting staff of Guogui did not record any transactions in the books of Guogui.

Guogui was established in 2021 in Tong Liao, a city in Inner Mongolia and encountered challenges due to the pandemic of COVID-19. During the period of the pandemic, the movement of personnel was significantly constrained, impeding the ability of the Group to deploy highly skilled finance and management professionals. Consequently, Guogui had no viable alternatives but to rely on local recruitment, which posed difficulties in securing adequately qualified accountants in the vicinity of its operations in the silicon sand mining area of Inner Mongolia. Consequently, Guogui had to engage individuals with limited experience and rudimentary accounting acumen, as opposed to professionals with extensive expertise in the field.

In addition, given that Guogui was unable to open a bank account in 2022, the entire amount of the payment for the production line was paid on behalf by Mr. Li (though the Payer) and all the repayment were made through Meigu and Aoxun, there was no cashflow in the books of Guogui. As a result, the local accounting staff in Guogui with limited experience did not realise the Advances made by Mr. Li and did not book any transactions in the books of Guogui.

After the explanation of the Management and Mr. Li, it was determined that the books of Guogui needed to be revised to accurately reflect the construction in progress for the production line and the amount owed to Yunhong Group, which amounted to approximately RMB19.9 million ("**Construction and Machinery Costs**"). As a result, when preparing the consolidated financial statements of the Group, the amount owed from Yunhong Group in the books of Meigu and Aoxun, totaling approximately RMB19.9 million, was fully eliminated along with the amount owed to Yunhong Group in the books of Guogui.

ENTERING INTO THE SILICA SAND BUSINESS

As set out in the circular dated 21 May 2021 of the Company, Mr. Li's acquisition of the Company in 2021 aimed to explore other business opportunities and consider whether any asset disposals, asset acquisitions, business rationalization, business divestment, fund raising, business restructuring and/or business diversification would be appropriate in order to enhance the long-term growth potential of the Group. In exploring new business opportunity of the Group, the Management decided to develop the silica sand business. As stated in the 2022 Annual Report of the Company, with the development of domestic glass, building material, petroleum and silicon chemical industries in the PRC over the years, the demand of the silica sand materials in domestic market is growing continuously.

The Management at first intended to develop the silica sand business through the acquisition of Tongliao Dayou Silica Sand Co. Ltd* 通遼大西硅砂有限公司 ("**Tongliao Dayou**"). Tongliao Dayou is a company established in PRC in 2010, which has been principally engaged in silica mining since its incorporation. On 30 December 2021, the Company voluntarily announced the planned acquisition of Tongliao Dayou. The Company also started the legal and finance due diligence work on the proposed acquisition at that time. However, based on the findings of the due diligence work, as the NAV of Tongliao Dayou was too high, the Company was unable to complete the acquisition due to lack of funding.

Subsequently, in light of the sale of the Company's wholly-owned subsidiary in June 2022, which had generated a cash return of RMB31,000,000, the Management devised a plan to reinvest these funds into the silica sand manufacturing business. The silica sand is the raw material for the production of glass fiber sand. After processing, the silica sand will turn into fiberglass yarn which is the direct material for the production of fiberglass reinforced plastic ("**FRP**") grating and FRP grating cover. The Company intends in the near future to open up the upstream and downstream of the industry. As such, the Management is of the view that the silica sand business is related to the Company's principal business. The Management undertook a thorough feasibility study of the silica sand business, which includes a market demand analysis and prediction, proposed business model, construction proposal, budget cost and a profit and cashflow forecast of the proposed business. Based on the positive results from the above study to the silica sand business, the Management is confident that the silica sand business has the potential to generate a significant business volume and profit for the Company, which will be in the interest of the Company and the shareholders of the Company as a whole.

CONSTRUCTION OF THE PRODUCTION LINE OF GUOGUI

The founder member of Tongliao Dayou, Feng Shouxue* 馮守學, entered into a lease contract with Twenty Jiazi Villagers Committee, Ganqika Town, Kezuohou Banner, Tongliao City, Inner Mongolia Autonomous Region (the "**Village Committee**") for approximately 628 acres of land (the "**Land**") in Inner Mongolia, PRC, including the silica mines in Twenty Jiazi Village, Twenty Jiazi Team, located in the southeastern part (bounded by Cai Dejiang's forest land to the north, Wang Li's barren mountain land to the south, Cai Degui's barren mountain land to the south, village road to the east, and Wang Jian's sandbar population land to the west). The lease was for a period of 50 years from 2009 to 2059. In July 2019, the shareholder of Tongliao Dayou was changed to Zhangwu Guogui, but the Land continued to be used by Tongliao Dayou for silica mining. Mr. Li's long-term goal was to acquire the Land for permanent use instead of leasing it from the Village Committee. However, under PRC laws and regulations, the Land was categorized for agricultural purposes and could not be acquired by Mr. Li unless its purpose was changed to industrial use. After several discussions with the Village Committee and negotiation with the local government of Inner Mongolia and pursuant to the PRC laws and regulations, only approximately 19.52 acres of the Land (the "**Industrial Land**") was feasible to change from agricultural purposes to industrial use. In March 2023, the purpose of the Industrial Land was officially changed to industrial use. Subsequently, Tongliao Dayou purchased the Industrial Land in June 2023. A new lease agreement was then signed between Tongliao Dayou and Guogui in June 2023, granting Guogui the use of the said 6-acres area of the Industrial Land for a lease period of 10 years from 25 June 2023 to 24 June 2033 at the rental fee of RMB1,667 per month.

For the construction of the new production line for Guogui, Guogui had entered into six contracts with different suppliers. The applicable percentage ratios for each of the contracts do not exceed 5%, save and except for two contracts entered into in November 2022 for the production and installation of equipment for the production line. The total considerations for these two contracts were RMB7,656,546 and RMB6,342,421, respectively. To supplement the announcement of the Company dated 13 March 2024 in relation to the discloseable transactions in relation to the two contracts, the ultimate beneficial owner of the suppliers of these two contracts is Zhang Bingwen* 張丙文. The suppliers and Zhang Bingwen were third parties independent of the Company and its connected persons (as defined under the GEM Listing Rules). As the highest applicable percentage ratio in respect of the transactions contemplated under these two contracts when aggregated exceeds 5% but less than 25%, the transactions contemplated under these two contracts constitute discloseable transactions under rule 19.04(1) of the GEM Listing Rules. For further details regarding these discloseable transactions, please refer to the announcement of the Company dated 13 March 2024.

MAJOR OUTSTANDING MATTERS AS AT THE DATE OF CROWE'S RESIGNATION

As at the date of Crowe's resignation, the major outstanding matters and the reason for the delay of the Company addressing to the outstanding matters are set out below:

Major outstanding matters	**Reasons**
Valuation report on the production line	As the valuer required the Company to provide all the value-added tax (VAT) invoices from the Contractors, some were still outstanding
VAT invoices	Due to tax liability concerns on the part of the Contractors, there had been persistent delay in the issuance of required VAT invoices to the Company. This situation is prevalent across in the Mainland China.

Major outstanding matters	Reasons
Site visit of Guogui; Interview with the Contractors; and Obtain direct audit confirmation from the Contractors	The production line in Inner Mongolia can be audited on-site at any time. However, considering audit efficiency, the Company intended to arrange for Crowe to visit the site and conduct interviews with various Contractors in a single visit. However, due to the domestic COVID-19 situation and the remote location of the mining areas in Inner Mongolia, the Company had been continuously communicating with the Contractors and trying to schedule a suitable time for the auditors to visit Inner Mongolia. Unfortunately, until the day of the Crowe's resignation, some Contractors had not responded with feasible dates for the visit.
Internal control review report (in particular for the cycles relating to the Audit Issues)	Was in progress and the major outstanding was the VAT invoices as mentioned above
Reason on why the actual payment schedule was different with the agreed terms in the contracts with Contractors	Due to the COVID-19, there had been significant changes in epidemic prevention and control policies in various regions, resulting in the inability to complete the project according to the agreed schedule in the contract. Therefore, Guogui reached an agreement with the Contractors to make payments based on the actual progress. The Company intended to explain to Crowe once all the aforementioned documentation is ready, however, Crowe had resigned.

In addition, during the construction of the production line of Guogui in the second half of 2022, when the pandemic control measures were strict across the Mainland China, most decisions had to be made through remote communication, making it challenging to make most decisions in person and require remote communication. Additionally, there was a lack of locally available professional financial personnel familiar with the situation to provide assistance. This led to scattered storage of contracts and documents, making it challenging to effectively manage them. These circumstances resulted in delays in gathering all the agreements and addressing any non-compliance issues during the audit inquiry. Ultimately, this led to a significant waste of time. The resignation of Crowe and seeking of new auditors also delay the progress of the audit further.

COMPANY'S RESPONSE TO RESIGNATION OF CROWE

The Company has established a finance team consisting of individuals with strong finance reporting and listed company compliance experience after resignation of Crowe.

In fact, back in September 2023, just before the appointment of Mazars, the finance team had been making efforts to urge the Contractors to issue the remaining outstanding VAT invoices. Finally, with persistent follow-up from the finance team, the Contractors were able to issue the remaining VAT invoices and the issuance of the valuation report on the production line of Guogui. This resolved one of the most time-consuming outstanding matters that were requested by Crowe before its resignation.

After the appointment of Mazars, the Company has been working closely with the Auditor and after the resignation of Crowe, the Company established a finance team to (i) reviewing and consolidating all relevant supporting documentation related to the Outgoing Funds; (ii) following up on any outstanding matters; (iii) coordinating the FY2022 audit arrangements; and (iv) understanding the audit plan and requirements of the Auditor.

INTERNAL CONTROL REVIEW REPORT

At the time of the identification of the Audit Issues, Crowe requested the Company to conduct an internal control review of the Group's system to ensure the internal control system of the Group was appropriate and implemented properly.

According to the internal control report, the internal control consultant did not identify any significant internal control deficiencies. The internal control consultant only identified a few low to moderate level of control weakness (based on the definition of risk level in the internal control review report) in the Group's internal control system and therefore has recommended relevant improvements in the said report.

Based on the recommendations given, the internal control weakness and probable improvements of the Company can be classified and summarized as follows:

(i) Regarding cash transaction management, expense and procurement management, and non-routine operating expenses management, comprehensive policies and procedural manuals should be developed by the Company.

(ii) The approval process of non-routine funds payment should be further improved by introducing multi-level controls mechanism and refined approval authorities.

(iii) For cash transactions, such as cash payment to employees and monthly cash count, review from cross-functional personnel and related signature should be obtained.

(iv) The Company has held various meetings annually for corporate governance purpose. However, the frequency of the meetings should be increased, additionally meeting minutes and attendance should be formally documented.

The Audit Committee and the Board are of the view that the Company had adequate internal controls and procedures in place to meet the obligations under the GEM Listing Rules. Nevertheless, the Audit Committee and the Board concluded that the Group is required to implement all of the recommendations suggested by the internal control consultant by the end of June 2024.

Having considered the internal control review report and the satisfactory results on the audit procedures, Mazars concurred the nature and business substance of the Outgoing Funds with the management and also concluded that all accounting entries recorded by the Group in connection with the Outgoing Funds and the Construction and Machinery Costs are properly supported with valid documentary evidence. Mazars also confirmed and was of the view that the Audit Issues have been properly and fully addressed and resolved. After considering the Auditors' opinion, the Audit Committee was satisfied that the Audit Issues have been properly and fully addressed and resolved.

KEY AUDIT PROCEDURES PERFORMED BY MAZARS

In resolving the Audit Issues in order to complete the audit work for the 2022 Annual Results, Mazars had performed the following key audit procedures.

In respect of repayment of shareholders' loans for an aggregate amount of approximately RMB11.4 million, details of key audit procedures performed by Mazars are summarised as follows:

(a) checking the accuracy of the repayment amounts by way of (i) inspecting the loan and other relevant settlement/debt assignment agreements signed between the Group, the shareholders and the relevant parties; and (ii) tracing to the bank payment records; and

(b) obtaining direct confirmation from the shareholders to ascertain the repayment amount during the year and the closing balance as at 31 December 2022.

In respect of the Advances for an aggregate amount of approximately RMB19.9 million, details of key audit procedures performed by Mazars are summarised as follows:

(a) checking the accuracy of the Construction and Machinery Costs incurred during the year by tracing to various supporting documents, including but not limited to the purchase agreements (the "**Purchase Agreements**") entered into between the Group and various third-party contractors (the "**Contractors**"), purchase invoices issued by the Contractors to the Group and the progress reports issued by the Contractors;

(b) understanding the rationale and genuineness of the Advances made by the Payer to the Contractors on behalf of the Group by way of (i) inspecting the entrusted payment agreements signed between the Group, the Contractors and the Payer; and agreeing the amount of the Advances as stated in the entrusted payment agreements to the relevant bank payment records provided by the Payer; (ii) conducting interviews with the Contractors, on a sample basis, to ascertain that details of payment arrangements in connection with the Purchase Agreements signed between the Group and the Contractors are consistent with all relevant supporting documents provided by the Group management; (iii) obtaining direct confirmation from the Contractors to ascertain the key terms of the Purchase Agreements; the payable balance and status of the construction in progress at 31 December 2022 and the amount of the Advances made by the Payer on behalf of the Group in relation to the Construction and Machinery Costs during the year; and (iv) obtaining direct confirmation from the Payer to ascertain the accuracy of the Advances made by the Payer to the Contractors on behalf of the Group, the reimbursement amount made by the Group during the year and the outstanding balance at 31 December 2022;

(c) assessing the appropriateness of the valuation methodologies used by an independent professional valuer (i.e. management's expert) so as to justify the fairness of the total construction and procurement costs as stated in the Purchase Agreements; and

(d) conducting a site visit of the Group's new production site situated in Inner Mongolia for the silica sand business and conducting the physical inspection of the construction in progress.

In addition to the above, Mazars had communicated with the Management, Audit Committee and the group finance team on a regular basis regarding the details of planned audit procedures and the progress of the FY2022 annual audit to ensure the proper execution of all necessary audit procedures. Also, Mazars had carried out procedures to understand the design and implementation of the Group's processes and controls over the "cash and treasury management process" and "expenditure requisition and procurement management"; and to review the internal control report which was issued by an independent internal control consultant (i.e. management's expert) to ensure there are no inconsistencies with their audit results and understandings.

Having considered the satisfactory results on the abovementioned procedures, Mazars concurred the nature and business substance of the Outgoing Funds with the Management and also concluded that all accounting entries recorded by the Group in connection with the Outgoing Funds and the Construction and Machinery Costs were properly supported with valid documentary evidence. Mazars confirmed and was of the view that the Audit Issues have been properly and fully addressed and resolved and there are no inconsistencies with their audit results and understandings.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

The following is the extract of the independent auditor's report on the Company's audited consolidated financial statements for the year ended 31 December 2022.

OPINION

*We have audited the consolidated financial statements of Yunhong Guixin Group Holdings Limited (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages 61 to 152, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.*

*In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2022, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Companies Ordinance.*

BASIS FOR OPINION

*We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.*

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters identified in our audit are summarised as follows:

Key Audit Matter	***How our audit addressed the Key Audit Matter***
Impairment of trade and bills receivables	
Refer to notes 2(j)(i), 17, 18, 27(a) and 30(b)(i) to the consolidated financial statements At 31 December 2022, trade and bills receivables amounted to approximately RMB50,315,000, net of provision for impairment losses of approximately RMB8,709,000, for which there are no collateral as security for settlement. In the normal ordinary course of its business, the Group grants its customers with credit period up to 180 days after billing. The Group's top five largest debtors accounted for approximately 70.7% of its total trade and bills receivables at 31 December 2022. This may give rise to the risk of bad debt losses arising from unfavourable changes in the customers' abilities to settle their trade debts after year end. We identified the impairment of trade and bills receivables as a key audit matter due to the significance of the balances. Furthermore, a significant degree of management estimation is required in assessing impairment losses of trade and bills receivables which may affect their carrying amounts	*Our key audit procedures in relation to the impairment of trade and bills receivables include:* • *Reviewing the Group's credit control and debt recovery procedures and actions taken to monitor and collect the trade and bills receivables;* • *Reviewing historical settlement history of the customers and testing subsequent cash receipts from the customers after the year end;* • *Assessing ageing analysis for trade and bills receivables by customers and updated creditworthiness of the customers;* • *Enquiring management of any material disputes with customers, assessing and evaluating the implications arising from the discrepancies on the debtor confirmations directly obtained from the customers and reviewing correspondences with the customers for any material potential dispute;* • *Reviewing the management's assessment on expected credit losses on trade and bills receivables, in particular challenging the reasonableness of the provision matrix by reference to historical bad debt loss rates, payment history and creditworthiness of the customers, and other forward-looking information specific to the customers and the economic conditions; and* • *Checking the accuracy of calculation of the required provision for the expected credit losses on trade and bills receivables*

Key Audit Matter	*How our audit addressed the Key Audit Matter*
Revenue recognition	
Refer to notes 2(u) and 3 to the consolidated financial statements For the year ended 31 December 2022, revenue amounted to approximately RMB62,287,000. The Group is principally engaged in the research and development, production and sales of fiberglass reinforced plastic grating products and epoxy wedge strip products in the People's Republic of China. In some of the terms of the sales contracts made between the Group and its customers, there are warranty clauses for the quality of the products, which were mainly related to agreed-upon product function specifications, with expiry date falling within 1-2 years after the control of the products were transferred to the customers. Revenue is recognised when the control of the products has been transferred to the customers at a point-in-time. We identified revenue recognition as a key audit matter due to revenue is one of the key performance indicators of the Group and there is an inherent risk of manipulation of the timing of revenue recognition by management to meet specific targets or expectations.	*Our key audit procedures in relation to the revenue recognition includes:* • *Obtaining an understanding of and assessing the design and implementation of the key internal controls over the revenue recognition cycle of the Group;* • *Evaluating the appropriateness of the accounting policies on revenue recognition adopted by the Group and related accounting estimates and judgements made;* • *Performing substantive testing on the accuracy and occurrence of revenue using sampling techniques by examining, including to but not limited to, the terms of sales contracts, delivery notes, bills of lading, customer bills, billing reports, and financial records, as well as testing the cut-off for revenue recognised immediately before and after the end of the reporting period and obtaining written confirmation replies directly from the customer; and* • *Reviewing the historical record to assess any significant product return in the past assurance-type warranty period in order to evaluate the appropriate point of revenue recognition.*

SUPPLEMENTAL INFORMATION IN RELATION TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

Reference is made to the Corporate Governance Report of the 2022 Annual Report. The Company would like to supplement the following additional information in relation to the internal control of the Group as follows:

After identification of the Audit Issues and in the course of resolving it, the Board identified an area of concern in relation to the quality and ability of the accounting staff in Guogui. As previously mentioned, at the material time, the accounting staff of Guogui was unaware of the Advances, leading to the omission in Guogui's books regarding the subject transactions and therefore resulting in the Audit Issues and the delay in the publication of the 2022 Annual Results and 2022 Annual Report. In response to this, remedial action was taken by the Company, namely, the Company has established a finance team composed of individuals with strong finance reporting and listed company compliance experience to enhance expertise in the audit process. The Board and the Audit Committee are of the view that the establishment of the finance team, which has assisted the Auditor to resolve the Audit Issues and complete the audit work for the 2022 Annual Results, is adequate measure taken by the Group.

Furthermore, the Company has engaged an internal control consultant to review and conduct an assessment on the Group's internal control system (the "**Internal Control Assessment**") in order to identify any material internal control deficiencies in connection with the Outgoing Funds and Audit Issues. The Internal Control Assessment covered the period from 1 January 2022 to 31 December 2022.

The internal control consultant only identified a few low to moderate level of control weakness in the Group's internal control system and therefore has recommended relevant improvements in the said report.

The key findings of the Internal Control Assessment based on the internal control report are summarized as follows:

	Summary of key findings	Remedial actions taken or to be taken by the Company
1.	The meeting between the chairman of the Board and the independent non-executive Directors which should be held at least once a year for corporate governance purpose was not held in 2022.	The meeting was held on 28 December 2023 with the signed Board minutes and attendance records. The 2024 meeting is planned to be held before end of the year.
2.	The meeting between Audit Committee and the Auditor should be held at least twice a year to discuss any matters concerning the Auditor or the Audit Committee. In 2022, the meeting was held only once on 21 March 2022, and the Auditor did not sign on the attendance records.	The first meeting of the year was held on 17 January 2024 and the signed meeting minutes and attendance records have been formally documented. The second meeting is scheduled to be held before the end of March 2024 to discuss matters relating to the 2023 annual audit.
3.	Regarding cash transaction management, expense and procurement management, and non-routine operating expense management, comprehensive policies and procedural manual need to be developed by the Company.	The Company is in the course of compiling the internal control manuals covering the relevant policies and procedures will be developed by the Company before the end of June 2024.
4.	Only the signature of employee was found on the cash receipt for those cash payments made by the Company to the employee, the authorized approver and finance team had not signed on the cash receipt. Without the support of a clarified cash management procedures, the control and monitoring process could be ineffective and inefficient.	The Group has implemented the procedure requiring the proper signatures and confirmation from all parties regarding the cash receipt to the employee starting from January 2024 onwards.

	Summary of key findings	Remedial actions taken or to be taken by the Company
5.	Cash count is carried out at the end of each month by the cashier and monitored by the accounting supervisor. However, there is no personnel from independent department other than the finance team to witness and review the cash count.	From January 2024 onwards, the role of witnessing the cash count from independent department has been added, which can effectively identify any discrepancies and cash count sheet needs to signed by all parties involved.

Despite these ongoing implementations, as the recommended improvements are for strengthening the existing internal control system of the Group, the Board is of the view that the ongoing implementation of the remedial measures would not have material adverse impact on the Group's operations and financial position.

VIEWS OF THE AUDIT COMMITTEE AND THE BOARD

Having considered the remedial actions taken by the Company, internal control report and the implementation of the recommended improvements by the Group which will expect to be completed all in June 2024, the Audit Committee and the Board are of the view that the remedial measures taken by the Company and its major operating subsidiaries are adequate and sufficient to address the key findings of the Internal Control Assessment and the enhanced internal control system can facilitate the Group to manage and eliminate the recurrent of the Audit Issues. The Company will continue to enforce its internal control policies and procedures on an ongoing basis and regularly review and update such policies and procedures as and when appropriate to ensure compliance with the GEM Listing Rules. As such, the Board is of the view that the Company has now in place adequate internal control systems to meet the obligations under the GEM Listing Rules.

FULFILMENT OF RESUMPTION GUIDANCE

As disclosed in the announcement dated 30 June 2023 of the Company, at the request of the Stock Exchange, the resumption of trading in the shares of the Company is subject to the fulfilment of the following guidance (the "**Resumption Guidance**"):

(i) publish all outstanding financial results required under the GEM Listing Rules and address any audit modifications;

(ii) demonstrate the Company's compliance with Rule 17.26 of the GEM Listing Rules; and

(iii) inform the market of all material information for the Company's shareholders and investors to appraise the Company's position.

As at the date of this announcement, the Company has fulfilled the Resumption

Guidance on the following basis:

(i) Publish all outstanding financial results required under the GEM Listing Rules and address any audit modifications

The Company published all the then outstanding financial results and reports on the following dates:

(a) the annual results for the year ended 31 December 2022 on 17 January 2024;

(b) the 2022 annual report for the year ended 31 December 2022 on 22 January 2024;

(c) the first quarterly results for the three months ended 31 March 2023 on 29 January 2024;

(d) the first quarterly report for the three months ended 31 March 2023 on 29 January 2024;

(e) the interim results for the six months ended 30 June 2023 on 29 January 2024;

(f) the interim report for the six months ended 30 June 2023 on 29 January 2024;

(g) the third quarterly results for the nine months ended 30 September 2023 on 29 January 2024; and

(h) the third quarterly report for the nine months ended 30 September 2023 on 29 January 2024.

(ii) Demonstrate the Company's compliance with Rule 17.26 of GEM Listing Rules

The Company is an investment holding company. The Company and its subsidiaries are principally engaged in (i) the research and development, production and sales of FRP products; and (ii) sales of industrial silica sand material in the PRC. After the production line in Guogui commences operation, the Group will also engage in manufacturing and selling of silica sand.

Pursuant to the 2022 Annual Report and the interim report for the six months ended 30 June 2023 of the Company, set out below are the key financial data of the Group:

	For the year ended 31 December 2022/ As at 31 December 2022 *RMB'000*	**For the six months ended 30 June 2023/ As at 30 June 2023** *RMB'000*
Revenue	62,287	25,613
Profit/(Loss) after taxation	2,615	(916)
Total assets	111,785	107,450
Total liabilities	40,924	37,505

Although the Group suffered a loss for the six months period ended 30 June 2023, the Group continues to focus on production and sales of FRP products and sales of industrial silica sand materials in the PRC. Additionally, once the production line in Guogui becomes operational, it is expected to continue to improve the Group's loss. The Board is of the view that the sales and profitability of the Group will continue to improve and the Group will operate a viable and sustainable business. The Board is of the view that the Company has maintained and continues to maintain a sufficient level of operations and assets of sufficient value to support its operations in accordance with Rule 7.26 of the GEM Listing Rules.

EXPECTED DATE OF PUBLICATION OF THE FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

The date of publication of the annual results of the Group for the year ended 31 December 2023 is expected to be on or around 27 March 2024. The Company has discussed with Mazars and up to the date of this announcement, there is no indication from Mazars that the annual results of the Group for the year ended 31 December 2023 to be published would be subject to any audit modification.

(iii) Inform the market of all material information for the Company's shareholders and other investors to appraise the Company's position

The Company has kept its shareholders and investors informed of all material information relating to the Company since the suspension of trading in its shares by way of various quarterly update announcements and the status on fulfillment of the Resumption Guidance and financial results of the Company by publishing announcements from time to time.

The Board believes the Company has announced all material information which it considers to be relevant and necessary for the Company's shareholders and investors to appraise the Company's position.

RESUMPTION OF TRADING

As illustrated above, the Company has fulfilled the Resumption Guidance.

Trading in the shares of the Company on the Stock Exchange was suspended with effect from 9:00 a.m. on 3 April 2023. As the Resumption Guidance has been fulfilled, the Company has made an application to the Stock Exchange for the resumption of trading in the shares of the Company with effect from 9:00 a.m. on 18 March 2024.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

* *For identification purpose only*

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

Hong Kong, 15 March 2024

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.hkexnews.hk 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.