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China Hongguang Holdings Limited

中國宏光控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8646)

**CONNECTED TRANSACTION INVOLVING PROPOSED ISSUE OF
NEW SHARES TO CONTROLLING SHAREHOLDER
UNDER SPECIFIC MANDATE**

Independent financial adviser to the Company

RAINBOW.

RAINBOW CAPITAL (HK) LIMITED
波博資本有限公司

To support the business development of the Company, Ming Liang Global entered into the Share Subscription Agreement with the Company on 17 May 2022. The entering into of the Share Subscription Agreement will allow the Company to further improve its capital structure while providing financial support for the Company's potential acquisitions and to cope with the impact brought by COVID-19.

As at the date of this announcement, Ming Liang Global holds approximately 50.25% of the issued share capital of the Company and is therefore a connected person of the Company. The Share Subscription Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The Subscription Shares to be issued and allotted to Ming Liang Global will be allotted and issued under the Specific Mandate to be obtained at the EGM.

Ming Liang Global and its associate(s) will abstain from voting on the relevant ordinary resolution(s) at the EGM. Save as disclosed and to the best of the knowledge, information and belief of the Directors, no other Shareholder has a material interest in the Ming Liang Global Share Subscription Agreement and the transactions contemplated thereunder (including without limitation, (a) the allotment and issue of the Subscription Shares to Ming Liang Global and (b) the grant of the Specific Mandate to the Directors for the allotment and issue of the Subscription Shares to Ming Liang Global), and is required to abstain from voting on the resolutions to approve the aforesaid matters at the EGM.

To the best of the knowledge and belief of the Directors, save that Mr. Wei Jiakun and Ms. Lin Weishan are deemed to be interested in the Share Subscription Agreement, none of the Directors has any interest in the resolution(s) of the Board to consider and approve the Share Subscription Agreement and the transactions contemplated thereunder (including without limitation, (a) the allotment and issue of the Subscription Shares to Ming Liang Global and (b) the grant of the Specific Mandate to the Directors for the allotment and issue of the Subscription Shares to Ming Liang Global) or is otherwise required to abstain from voting on the relevant resolution(s) of the Board.

A circular containing, among other things, (i) further details of the Share Subscription Agreement, and the transactions contemplated thereunder (including without limitation, (a) the allotment and issue of the Subscription Shares to Ming Liang Global and (b) the grant of the Specific Mandate to the Directors for the allotment and issue of the Subscription Shares to Ming Liang Global); (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) a notice convening the EGM; and (v) other information required under the GEM Listing Rules, will be despatched to the Shareholders as soon as practicable in accordance with the GEM Listing Rules. It is expected that the circular will be despatched to the Shareholders on or before 17 June 2022 after taking into account the time required for preparation of the circular.

Completion of the issue of the Subscription Shares are conditional upon the fulfilment of the conditions precedent set out under the paragraphs headed “Conditions Precedent under the Share Subscription Agreement” in this announcement, which may or may not be fulfilled. Accordingly, the aforementioned completion may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

On 17 May 2022, the Company entered into the Share Subscription Agreement with Ming Liang Global, pursuant to which the Company has conditionally agreed to allot and issue, and Ming Liang Global has conditionally agreed to subscribe for, 99,000,000 Subscription Shares on the terms of the Share Subscription Agreement.

PRINCIPAL TERMS OF THE SHARE SUBSCRIPTION AGREEMENT

Date:	17 May 2022
Parties:	(i) The Company, as issuer; and (ii) Ming Liang Global, as subscriber
Subscription Shares:	99,000,000 Subscription Shares
Subscription Price:	HK\$0.4 per Subscription Share

Subscription Shares

Assuming there will be no change in the issued share capital of the Company from the date of the Share Subscription Agreement to the Closing Date save for the allotment and issue of the Subscription Shares:

- (a) the Subscription Shares represent approximately 33% of the existing issued share capital of the Company as at the date of this announcement.
- (b) the Subscription Shares represent approximately 24.81% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

Subscription Price

The Subscription Price of HK\$0.4 per Subscription Share represents:

- (a) a discount of approximately 13.04% to the closing price of HK\$0.46 per Share as quoted on the Stock Exchange on the date of the Share Subscription Agreement;
- (b) a discount of approximately 5.88% to the average closing price of approximately HK\$0.425 per Share as quoted on the Stock Exchange for the last five (5) trading days up to and including the Last Trading Day;
- (c) a discount of approximately 11.70% to the average closing price of approximately HK\$0.453 per Share as quoted on the Stock Exchange for the last ten (10) trading days up to and including the Last Trading Day;
- (d) a discount of approximately 7.79% to the average closing price of approximately HK\$0.4338 per Share as quoted on the Stock Exchange for the last thirty (30) trading days up to and including the Last Trading Day;
- (e) a premium of approximately 4.14% to the average closing price of approximately HK\$0.3841 per Share as quoted on the Stock Exchange for the last sixty (60) trading days up to and including the Last Trading Day;
- (f) a premium of approximately 10.04% to the average closing price of approximately HK\$0.3635 per Share as quoted on the Stock Exchange for the last one hundred and twenty (120) trading days up to and including the Last Trading Day;
- (g) a premium of approximately 17.41% to the average closing price of approximately HK\$0.3407 per Share as quoted on the Stock Exchange for the last one hundred and eighty (180) trading days up to and including the Last Trading Day; and
- (h) a premium of approximately 21.40% to the average closing price of approximately HK\$0.3295 per Share as quoted on the Stock Exchange for the last three hundred and sixty (360) trading days up to and including the Last Trading Day.

The Subscription Price was determined after arm's length negotiation between the Company and Ming Liang Global after taking into account the prevailing market price of the Shares and the trading volume of the Shares. The Directors (other than the independent non-executive Directors who will give their opinion after considering the advice from the Independent Financial Adviser), are of the view that the terms of the Share Subscription Agreement (including the Subscription Price) are fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

The Subscription Shares have an aggregate nominal value of HK\$990,000. The net proceeds from the Share Subscription, after deduction of relevant costs and expenses, is estimated to be approximately HK\$39,250,000. The net Subscription Price per Subscription Share, after deduction of relevant costs and expenses, is estimated to be approximately HK\$0.3965 per Subscription Share.

The Subscription Price shall be payable by Ming Liang Global in cash upon Closing.

Ranking

The Subscription Shares, when issued and fully paid, will rank *pari passu* in all respects among themselves and with all other Shares in issue at the time of allotment and issue of the Subscription Shares.

Conditions Precedent under the Share Subscription Agreement

Completion of the Share Subscription Agreement is conditional upon the satisfaction (or, if applicable, waiver) of the following conditions precedent:

- (a) the passing of resolution(s) by the Independent Shareholders at the EGM approving the Share Subscription Agreement and the transactions contemplated thereunder;
- (b) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Subscription Shares and such approval not having been withdrawn or revoked;
- (c) the current listing of the Shares on the Stock Exchange not having been cancelled or withdrawn;
- (d) each of the warranties included in the Share Subscription Agreement given by the Company remaining true and accurate in all respects and not misleading in any respect as at Closing;
- (e) the Company not having materially breached or failed to perform in any material respect its other obligations or undertakings under the Share Subscription Agreement prior to Closing;

- (f) all consents, approvals, permits, authorizations or clearances (as the case may be) that the Company reasonably considers necessary pursuant to applicable laws, regulations or rules (including but not limited to the GEM Listing Rules) for its execution, implementation and completion of the Share Subscription Agreement having been obtained, and all such consents, approvals, permits, authorisations and clearances not having been revoked or withdrawn at any time before Closing;
- (g) all consents, approvals, permits, authorizations or clearances (as the case may be) that Ming Liang Global reasonably considers necessary pursuant to applicable laws, regulations or rules (including but not limited to the GEM Listing Rules) for its execution, implementation and completion of the Share Subscription Agreement having been obtained, and all such consents, approvals, permits, authorisations and clearances not having been revoked or withdrawn at any time before Closing;
- (h) from the date of the Share Subscription Agreement entered into between the Company and Ming Liang Global up to and at the Closing Date, there not having occurred any change (nor any development or event involving a prospective change), in the business, assets and liabilities, condition (financial or otherwise), business operations, results of operations or general affairs of the Company or the Group taken as a whole (whether or not arising in the ordinary course of business), which, in the reasonable opinion of Ming Liang Global, has or would have a Material Adverse Effect.

Among the above conditions, items (a), (b), (c), (f) and (g) are not waivable, while items (d), (e) and (h) may be waived by Ming Liang Global. The Conditions Precedent are not fulfilled yet at this stage.

Termination

If any Condition Precedent has not been satisfied or waived by 11:59 p.m. on 17 August 2022 (the “**Long Stop Date**”), the Share Subscription Agreement shall be automatically terminated with immediate effect.

Closing

Subject to the Conditions Precedent being satisfied or waived (if applicable) and the relevant terms under the Share Subscription Agreement, Closing shall occur on the date that is ten (10) Business Days after the date (not being later than the Longstop Date) on which the last of the Conditions Precedent is satisfied or waived (if applicable) via exchange of documents and signatures, or at such other date, time and venue as the parties may agree in writing (the “**Closing Date**”).

Specific Mandate

In respect of the Share Subscription by Ming Liang Global, the Subscription Shares will be allotted and issued under the Specific Mandate to be sought from the Independent Shareholders at the EGM.

Listing Application

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares on the Stock Exchange.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY FOLLOWING THE COMPLETION OF THE SHARE SUBSCRIPTION

The table below sets out a summary of the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the Closing (assuming there being no other changes to the issued share capital of the Company between the date of this announcement and the Closing Date save for the allotment and issue of the Subscription Shares):

	As at the date of this announcement		After the Closing Date and the allotment and issue of Subscription Shares	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Ming Liang Global Orient Success Ventures Limited	150,750,000	50.25	249,750,000	62.59
Public Shareholders	99,750,000	33.25	99,750,000	25.00
Total	<u>300,000,000</u>	<u>100.00</u>	<u>399,000,000</u>	<u>100.00</u>

REASONS FOR AND BENEFITS OF THE ISSUE OF SUBSCRIPTION SHARES

To support the business development of the Company, Ming Liang Global entered into the Share Subscription Agreement with the Company. The entering into of the Ming Liang Global Share Subscription Agreement will allow the Company to further improve its capital structure while providing financial support for the Company's potential acquisitions and to cope with the impact brought by COVID-19:

- (a) According to the Company's 2021 annual report, the Group is continuously seeking acquisition or investment opportunities to enhance the Group's risk tolerance and its value, and continue to create new growth drivers for the Group. There is a need for the Group to diversify its business in view of the impact of the PRC's real estate industry and the rising raw materials costs on the Group's existing business. For example, in January 2022, the Company signed a memorandum of understanding with Beijing Proverbs Asset Management Co., Ltd., entrusting it to locate suitable internet platform for cooperation for entering the social e-commerce sector. The issuance of new Shares can be used for potential acquisitions and investments to raise the required funds.

- (b) The Company's current revenue mainly comes from the sale of architectural glass products, so the impact of the epidemic is more obvious (in particular in 2020). Since March 2022, the epidemic has occurred in many cities in the mainland, which might have an impact on the Group's operations. The issuance of new Shares can help the Company raise funds to better face the impact of the epidemic, such as the slowdown in payment collection and the repayment of bank loans.

Taking into account the recent market conditions, the Directors consider that raising funds by way of allotment and issue of the Subscription Shares shall enable the Company to obtain funds at a lower cost, as compared to a rights issue or an open offer. The Board has considered other alternative fundraising methods such as debt financing, rights issue or open offer. The Board has considered that debt financing may incur financial costs on the Group, while rights issue or open offer will involve the issue of listing documents with other application and administrative procedures which may require relatively longer time and incur additional administrative costs as compared to the equity financing by way of allotment and issue of new Shares under the Specific Mandate. Further, in view of the current market conditions, there is uncertainty in the amount of funds which could be raised under a rights issue or an open offer.

USE OF PROCEEDS

The aggregate gross proceeds of the Share Subscription will be approximately HK\$39,600,000. The aggregate net proceeds of the Share Subscription, after the deduction of related fees and expenses, will be approximately HK\$39,250,000.

The Company intends to apply the net proceeds from the Share Subscription (a) as to 60% for the maintenance and operation of the existing business (including purchase of raw materials, upgrading and purchase of production equipment to enhance efficiency and quality, and repayment of borrowings); (b) as to 30% for potential acquisitions and development of new business; and (c) as to 10% for the Group's general working capital.

The Board (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the Independent Financial Adviser) is also of the view that the terms of the Share Subscription Agreement (including the Subscription Price) are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

EQUITY FUND RAISING OF THE COMPANY DURING THE PAST TWELVE MONTHS

The Company had not conducted any equity fundraising activity in the past twelve months immediately preceding the date of this announcement.

INFORMATION OF THE COMPANY

The Group primarily engages in the manufacture and sale of architectural glass products, including energy-efficient safety glass products and smart glass product in Southern China, under its own brand “Hongguang”.

INFORMATION OF THE SUBSCRIBER

Ming Liang Global is a connected person of the Company. It is an investment holding company incorporated in the British Virgin Islands and beneficially owned by Mr. Wei Jiakun (executive Director and chief executive officer of the Company), Ms. Lin Weishan (executive Director and chairwoman of the Company) and Ms. Liu Rong (mother of Mr. Wei Jiakun).

IMPLICATIONS UNDER THE GEM LISTING RULES

As at the date of this announcement, Ming Liang Global holds approximately 50.25% of the issued share capital of the Company and is therefore a connected person of the Company. The Share Subscription Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company and is subject to the reporting, announcement, circular and Independent Shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules.

As the Subscription Shares to be issued and allotted to Ming Liang Global will be allotted and issued under the Specific Mandate to be obtained at the EGM, the Share Subscription by Ming Liang Global is subject to the Independent Shareholders’ approval.

FORMATION OF THE INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising Ms. Chen Xiuyan, Mr. Jia Xiaogang and Mr. Wu Yong, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders in respect of the Share Subscription by Ming Liang Global. An Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

EGM

The EGM will be convened for the purpose of considering and, if thought fit, approving, among other things, the Share Subscription Agreement and the transactions contemplated thereunder (including without limitation, (a) the allotment and issue of the Subscription Shares to Ming Liang Global and (b) the grant of the Specific Mandate to the Directors for the allotment and issue of the Subscription Shares to Ming Liang Global).

Ming Liang Global and its associate(s) will abstain from voting on the relevant ordinary resolution(s) at the EGM. Save as disclosed and to the best of the knowledge, information and belief of the Directors, no other Shareholder has a material interest in the Ming Liang Global Share Subscription Agreement and the transactions contemplated thereunder (including without limitation, (a) the allotment and issue of the Subscription Shares to Ming Liang Global and (b) the grant of the Specific Mandate to the Directors for the allotment and issue of the Subscription Shares to Ming Liang Global), and is required to abstain from voting on the resolutions to approve the aforesaid matters at the EGM.

To the best of the knowledge and belief of the Directors, save that Mr. Wei Jiakun and Ms. Lin Weishan are deemed to be interested in the Share Subscription Agreement, none of the Directors has any interest in the resolution(s) of the Board to consider and approve the Share Subscription Agreement and the transactions contemplated thereunder (including without limitation, (a) the allotment and issue of the Subscription Shares to Ming Liang Global and (b) the grant of the Specific Mandate to the Directors for the allotment and issue of the Subscription Shares to Ming Liang Global) or is otherwise required to abstain from voting on the relevant resolution(s) of the Board.

A circular containing, among other things, (i) further details of the Share Subscription Agreement, and the transactions contemplated thereunder (including without limitation, (a) the allotment and issue of the Subscription Shares to Ming Liang Global and (b) the grant of the Specific Mandate to the Directors for the allotment and issue of the Subscription Shares to Ming Liang Global); (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) a notice convening the EGM; and (v) other information required under the GEM Listing Rules, will be despatched to the Shareholders as soon as practicable in accordance with the GEM Listing Rules. It is expected that the circular will be despatched to the Shareholders on or before 17 June 2022 after taking into account the time required for preparation of the circular.

Completion of the issue of the Subscription Shares are conditional upon the fulfilment of the conditions precedent set out under the paragraphs headed “Conditions Precedent under the Share Subscription Agreement” in this announcement, which may or may not be fulfilled. Accordingly, the aforementioned completion may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of directors of the Company
“Closing”	the completion of the Share Subscription
“Company”	China Hongguang Holdings Limited, a limited company incorporated in the Cayman Islands, and the issued Shares of which are listed on the GEM Board of the Stock Exchange (Stock Code: 8646)
“Conditions Precedent”	the conditions precedent set out under the paragraphs headed “Conditions Precedent under the Share Subscription Agreement”
“Director(s)”	member(s) of the Board of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to approve, among other things, (a) the allotment and issue of the Subscription Shares to Ming Liang Global and (b) the grant of the Specific Mandate to the Directors for the allotment and issue of the Subscription Shares to Ming Liang Global
“GEM”	the GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries from time to time
“Independent Board Committee	a committee comprised of Ms. Chen Xiuyan, Mr. Jia Xiaogang and Mr. Wu Yong, all of whom are independent non-executive Directors of the Company, formed to advise the Independent Shareholders in connection with the transactions contemplated under Share Subscription Agreement
“Independent Shareholders”	shareholders other than the connected person(s) who is/are interested in the relevant transactions

“Last Trading Day”	16 May 2022, being the last trading day prior to the signing of the Share Subscription Agreement, which took place after trading hours
“Material Adverse Effect”	any material adverse effect on the business, assets and liabilities, condition (financial or otherwise), business operations, results of operations, or general affairs of the Company or the Group taken as a whole
“Ming Liang Global”	Ming Liang Global Limited, a company incorporated in the British Virgin Islands
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
“Rainbow Capital” or “Independent Financial Adviser”	Rainbow Capital (HK) Limited, a corporation licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activity, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the transactions contemplated under Share Subscription Agreement
“Share(s)”	ordinary share of HK\$0.01 each in the share capital of the Company
“Share Subscription”	the subscription and issue of the Subscription Shares pursuant to the Share Subscription Agreement
“Share Subscription Agreement”	the share subscription agreement dated 17 May 2022 entered into between the Company as the issuer and Ming Liang Global as the subscriber in relation to the subscription of 99,000,000 Subscription Shares at the Subscription Price
“Shareholder(s)”	holder(s) of Share(s)
“Specific Mandate”	the specific mandate to be granted by the Independent Shareholders to the Directors at the EGM for the allotment and issue of the Subscription Shares to Ming Liang Global
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.4 per Subscription Share

“Subscription Shares” an aggregate of 99,000,000 new Shares to be issued and allotted by the Company to Ming Liang Global pursuant to the terms and conditions of the Share Subscription Agreement

“%” per cent

By Order of the Board
China Hongguang Holdings Limited
LIN Weishan
Chairwoman and Executive Director

Hong Kong, 17 May 2022

As at the date of this announcement, the Executive Directors are Mr. WEI Jiakun, Ms. LIN Weishan, Mr. CHEN Biming and Ms. LI Wanna; and the Independent Non-Executive Directors are Ms. CHEN Xiuyan, Mr. JIA Xiaogang and Mr. WU Yong.

*This announcement, for which the directors of the Company (the “**Directors**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “**GEM**”) of The Stock Exchange of Hong Kong Limited 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 in this announcement misleading.*

This announcement will remain on the “Latest Listed Company Information” page of the GEM website at www.hkgem.com for at least seven days from the day of its posting. This announcement will also be published on the website of the Company at www.hongguang.hk.