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CHINA TANGSHANG HOLDINGS LIMITED

中國唐商控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 674)

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE TARGET GROUP

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**

RAINBOW.

RAINBOW CAPITAL (HK) LIMITED
泓博資本有限公司

On 31 October 2022, the Company entered into the Equity Sale and Purchase Agreement with Mr. Chen, pursuant to which the Company has agreed conditionally to acquire, and Mr. Chen has agreed conditionally to sell, the Sale Shares at the Consideration of RMB315,000,000 (equivalent to HK\$355,950,000). The Consideration shall be settled by way of (i) the issue and allotment of 534,000,000 Consideration Shares at an issue price of HK\$0.2 per Consideration Share, resulting in the total value of the Consideration Shares being HK\$106,800,000 (equivalent to approximately RMB94,513,274) and (ii) the issue of Convertible Bonds in the principal amount of HK\$249,150,000 (equivalent to approximately RMB220,486,726).

The Sale Shares represent the total issued share capital in the Target Company. Upon the Completion of the Acquisition, the Target Company will become a subsidiary of the Company, and the Company will indirectly hold 70% equity interest in the Project Company through the Target Company. The financial statements of the Target Group will be consolidated into the consolidated financial statements of the Group.

In July 2022, the Company completed the acquisition of 55% equity interest in Dongguan Huachuangwen Land Ltd. from Shenzhen Yaoling. As Shenzhen Yaoling will transfer its equity interest in the Project Company to the PRC Holding Company controlled by Mr. Chen shortly before the Acquisition, the Previous Acquisition and the Acquisition shall be aggregated. As certain percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the Acquisition (after aggregation) exceed 100%, the Acquisition constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and Shareholders' approval requirements.

As at the date of this announcement, Mr. Chen, being the executive Director of the Company, is interested in approximately 50.15% of the shares of the Company. Mr. Chen is the controlling shareholder and therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition also constitutes a connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Consideration Shares and the Convertible Shares will be issued under the specific mandate of the Company in accordance with the Listing Rules.

A special general meeting will be convened and held by the Company for the purpose of considering and, if thought fit, approving the resolution in relation to the Equity Sale and Purchase Agreement and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares and the Convertible Bonds. Mr. Chen, being the chairman of the Board and an executive Director, has a material interest in the Equity Sale and Purchase Agreement and the transactions contemplated thereunder and has abstained from voting on the Board resolution approving the Equity Sale and Purchase Agreement and the transactions contemplated thereunder.

The Independent Board Committee will advise the Independent Shareholders in respect of the relevant terms of the Equity Sale and Purchase Agreement. Rainbow Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on whether the transactions contemplated under the Equity Sale and Purchase Agreement are fair and reasonable and whether such transactions are in the interests of the Company and its Shareholders as a whole.

A circular containing, among other things, (i) further information of the terms of the Equity Sale and Purchase Agreement; (ii) a letter from the Independent Board Committee; (iii) an opinion from the Independent Financial Adviser; (iv) the financial information of the Group; (v) the unaudited pro forma financial information of the Group; (vi) a valuation report; (vii) the accountant's report on the Target Group; (viii) the accountant's report on the Project Company; (ix) a notice convening the special general meeting; and (x) other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 9 December 2022 after taking into account the estimated time required for the Company to prepare relevant information for inclusion in the circular.

As the Completion is conditional upon fulfilment or waiver (as the case may be) of the conditions precedent to the Equity Sale and Purchase Agreement, the Acquisition may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.

INTRODUCTION

On 31 October 2022, the Company entered into the Equity Sale and Purchase Agreement with Mr. Chen, pursuant to which the Company has agreed conditionally to acquire, and Mr. Chen has agreed conditionally to sell, the Sale Shares at the Consideration of RMB315,000,000 (equivalent to HK\$355,950,000). The Consideration shall be settled by way of (i) the issue and allotment of 534,000,000 Consideration Shares at an issue price of HK\$0.2 per Consideration Share, resulting in the total value of the Consideration Shares being HK\$106,800,000 (equivalent to approximately RMB94,513,274) and (ii) the issue of Convertible Bonds in the principal amount of HK\$249,150,000 (equivalent to approximately RMB220,486,726).

The principal terms of the Equity Sale and Purchase Agreement are as follows:

Date:

31 October 2022

Parties:

Purchaser: The Company

Vendor: Mr. Chen

Subject Matter:

The Company has agreed conditionally to acquire, and Mr. Chen has agreed conditionally to sell, the Sale Shares, which represent the total issued share capital in the Target Company. The Target Company will indirectly hold 70% equity interest in the Project Company before Completion.

Consideration:

Pursuant to the Equity Sale and Purchase Agreement, the Consideration of RMB315,000,000 shall be payable by the Company by way of (i) issue and allotment of 534,000,000 Consideration Shares to Mr. Chen at an issue price of HK\$0.2 per Consideration Share, resulting in a total value of HK\$106,800,000 of Consideration Shares, and (ii) issue of Convertible Bonds in the principal amount of HK\$249,150,000 to Mr. Chen on the Completion Date.

The Consideration of the Equity Sale and Purchase Agreement was determined and arrived at after arm's length negotiation with reference to valuation of the Project Company amounting to approximately RMB450 million as at 30 September 2022 adopting the asset-based approach. As at 30 September 2022, the unaudited net liabilities of the Project Company amounted to approximately RMB61,229,840. The Project Company recorded net liabilities because the deposits received from buyers have been booked as liabilities before completion of the property development project at the Puning Land.

The companies in the Target Group other than the Project Company are investment holding companies with no material assets and liabilities and hence they are not taken into account in the valuation for determining the Consideration. As at 31 March 2022, the audited net liabilities of the Target Company and the Hong Kong Holding Company are HK\$22,840 and HK\$8,799, respectively. The PRC Holding Company is in the process of incorporation as of the day of this announcement.

The Consideration Shares represent:

- (i) approximately 18.45% of the issued share capital of the Company as at the date of this announcement; and
- (ii) approximately 11.42% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and the Conversion Shares upon full conversion of the Convertible Bonds.

The Consideration Shares will be issued under the specific mandate to be sought from the Independent Shareholders at the special general meeting. The Consideration Shares, when allotted and issued, shall rank *pari passu* in all respects with the outstanding Shares in issue on the date of the allotment and issue of the Consideration Shares.

Application for the listing of, and permission to deal in, the Consideration Shares to be allotted and issued pursuant to the Equity Sale and Purchase Agreement will be made by the Company to the Stock Exchange.

The principal terms of the Convertible Bonds are as follows:

Issuer:	The Company
Principal amount:	249,150,000
Maturity date:	The date falling on the fifth anniversary after the issue date of the Convertible Bonds
Interest:	The Convertible Bonds are non-interest bearing
Redemption:	Unless previously purchased or converted for Conversion Shares, the Company shall on the maturity date redeem the outstanding principal amount of the Convertible Bonds.
Early redemption:	The Company shall have the right, as from the expiry of 6 months following the issue date of the Convertible Bonds, to partly or fully redeem the Convertible Bonds early, upon obtaining the written approval from Mr. Chen. The amount payable by the Company to early redeem the Convertible Bonds (or any part thereof) shall be the principal amount being redeemed.

Conversion price:	HK\$0.2 per Conversion Share (subject to adjustment as mentioned below)
Conversion right:	<p>Subject to compliance with the procedures set out in the conditions of the Convertible Bonds, the holders of the Convertible Bonds have the right to convert all or part of the outstanding principal amount of the Convertible Bonds registered in its name into the Conversion Shares at any time commencing from the date of issue up to the maturity date provided that the amount of each conversion shall not be less than an integral multiple of HK\$249,150.</p> <p>The exercise of the conversion right under the Convertible Bonds is subject to the Company meeting the public float requirement under the Listing Rules.</p>
Conversion adjustment:	The Conversion Price will be subject to adjustment upon the occurrence of the following events: (i) consolidation, subdivision and reclassification of the Shares; (ii) capitalisation of profits or reserves; (iii) capital distribution by the Company to the Shareholders; (iv) rights issue of the Shares, options or warrants; (v) rights issue of other securities other than the Shares, options or warrants; (vi) issue of the Shares at a price less than 80% of the market price of the Shares; (vii) issue of other securities at a price less than 80% of the market price of the Shares; (viii) modification of the rights of conversion, exchange or subscription of securities mentioned in paragraph (vii) so that the price is less than 80% of the market price of the Shares; and (ix) other offers made by the Company or its subsidiaries or other persons to the Shareholders in connection with an offer to which the Shareholders are generally entitled to participate.
Ranking:	The Conversion Shares will be issued upon conversion of the Convertible Bonds and will rank <i>pari passu</i> with the Shares then in issue.
Transferability:	The Convertible Bonds are transferable, subject to the Company meeting the public float requirement under the Listing Rules.
Voting right:	The Convertible Bonds do not confer any voting right.
Listing:	Application for the listing of, and permission to deal in, the Conversion Shares to be allotted and issued upon the exercise of the conversion right under the Convertible Bonds will be made by the Company to the Stock Exchange.

Assuming full exercise of the conversion right attached to the Convertible Bonds at the Conversion Price of HK\$0.2, the Company will issue a total of 1,245,750,000 Conversion Shares, representing:

- (i) approximately 43.04% of the existing issued share capital of the Company as at the date of this announcement; and
- (ii) approximately 26.65% of the issued share capital of the Company as enlarged by the issue and allotment of the Consideration Shares and the Conversion Shares upon full conversion of the Convertible Bonds.

The Consideration Shares and the Conversion Shares, when allotted and issued, shall rank *pari passu* in all respects among themselves and with all the existing Shares then in issue, including the right to receive all future dividends and distributions which may be declared, made or paid by the Company on or after the issue date of the Consideration Shares and the Conversion Shares. The Consideration Shares and the Conversion Shares will be issued under the specific mandate to be sought by the Shareholders at the special general meeting. Application for the listing of, and permission to deal in, the Consideration Shares and the Conversion Shares will be made by the Company to the Stock Exchange.

The issue price of HK\$0.2 per Consideration Share at which the Consideration Shares will be allotted and issued and the Conversion Price of HK\$0.2 per Conversion Share (subject to adjustment) represents:

- (i) a premium of approximately 9.89% over the closing price of HK\$0.182 per Share as quoted on the Stock Exchange on the date of the Agreement;
- (ii) a premium of approximately 10.13% over the average closing price of approximately HK\$0.1816 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the date of the Agreement;
- (iii) a premium of approximately 8.46% over the average closing price of approximately HK\$0.1844 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the date of the Agreement;
- (iv) a premium of approximately 2.46% over the average closing price of approximately HK\$0.1952 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the date of the Agreement;
- (v) a premium of approximately 2.35% over the average closing price of approximately HK\$0.1954 per Share as quoted on the Stock Exchange for the last 60 consecutive trading days up to and including the date of the Agreement;
- (vi) a premium of approximately 27.88% over the average closing price of approximately HK\$0.1564 per Share as quoted on the Stock Exchange for the last 360 consecutive trading days up to and including the date of the Agreement; and

(vii) a premium of approximately 19.47% over the audited net asset value per Share of approximately HK\$0.1674 as at 31 March 2022 based on the 2,308,866,570 Shares in issue as at 31 March 2022.

Save for the allotment and issue of the Consideration Shares and the Conversion Shares, and the issuance of 585,600,000 Shares at the issue price of HK\$0.2 per Share to Shenzhen Yaoling under the Previous Acquisition, during the 12 month period immediately preceding the date of this announcement, the Company has not undertaken (whether by reference to the date of announcement or the date of share issue) any rights issues, open offer or any other specific mandate placing.

The issue price and the Conversion Price were determined after arm's length negotiation between the Company and Mr. Chen with reference to the recent price performance of the Shares and the prevailing market conditions.

The net asset value of the Company per Share is approximately HK\$0.1674 as at 31 March 2022 calculated based on the equity attributable to owners of the Company as at 31 March 2022 of approximately HK\$386,457,853 and 2,308,866,570 Shares. The average closing price during the period from 31 October 2021 (12 months before the date of the Agreement) up to the date of this announcement is approximately HK\$0.1592, which is slightly below the net asset value of the Company per Share as at 31 March 2022. Considering the prevailing market price, the Directors are of the view that the premium represented by the Conversion Price compared to the consolidated net asset value of the Company per Share would be fair and reasonable.

Conditions Precedent:

Completion is conditional upon fulfilment or waiver (as the case may be) of the following conditions:

- (i) the Company having obtained the approval from its Independent Shareholders in respect of, inter alia, (a) the Acquisition; and (b) the issue of Consideration Shares and Convertible Bonds to Mr. Chen pursuant to the terms of the Equity Sale and Purchase Agreement, in the manner required by the Listing Rules;
- (ii) the Company having obtained the approval from the Board in respect of the transactions contemplated under the Equity Sale and Purchase Agreement and the allotment and issue of the Consideration Shares and the Convertible Bonds;
- (iii) the Target Company having indirectly held 70% of the equity interest in the Project Company through its wholly-owned subsidiaries;
- (iv) the Company having obtained the approval from the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares and the Conversion Shares;

- (v) the allotment and issue of the Consideration Shares and the Conversion Shares not being prohibited by any statute, order, rule, regulation or directive promulgated or issued after the date of the Agreement by any legislative, executive or regulatory body or authority of Bermuda or Hong Kong;
- (vi) each of the parties having complied with the terms and conditions of the Agreement and there having been no material breach of the Agreement by any party thereto;
- (vii) all of the warranties and representations contained in the Agreement remaining true, correct, complete, accurate and not misleading in all material respects at the Completion as if repeated at the Completion, and all undertakings contained in the Agreement, to the extent that it is capable of being fulfilled prior to the Completion Date, having been fulfilled in all respects;
- (viii) there having been no material adverse change in the Target Group between the date of the Agreement and the Completion Date;
- (ix) the purchaser, the vendor and the Target Company having complied with the Listing Rules in all respects for the Acquisition;
- (x) the Company being satisfied with the results of the legal and/or financial due diligence review on the Target Group, including having obtained sufficient evidence indicating the valid title of the properties held by the Target Group pursuant to the relevant laws and regulations of the PRC; and
- (xi) the Company having satisfied that each member of the Target Group is duly incorporated, validly existing and of good standing, and that the shareholding structure of the Target Group pursuant to the Agreement is true, correct, accurate, complete, legal and valid.

The Company may at any time waive the conditions set out in (viii), (x) and (xi) above by notice in writing to Mr. Chen. If the conditions above have not been fulfilled or waived (as the case may be) by 31 March 2023, unless the parties agree to postpone the deadline, the Equity Sale and Purchase Agreement shall cease and terminate and neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the Agreement.

Completion

Completion shall take place within seven business days after fulfilment or waiver (as the case may be) of all the conditions precedent to the Agreement, or such other date as the parties to the Agreement may agree in writing.

Upon the Completion, the Company will hold the total issued share capital in the Target Company and the financial statements of the Target Group will be consolidated into the consolidated financial statements of the Group. The Company will indirectly hold 70% equity interest in the Project Company through the Target Company.

INFORMATION OF THE TARGET GROUP

The Target Company, Hong Kong Holding Company and PRC Holding Company are investment holding companies with no business.

The Project Company is principally engaged in participation in industrial investment; real estate development, real estate brokerage; real estate information consultation; property leasing; property management, building decoration engineering, building curtain wall engineering, steel structure engineering, building mechanical and electrical installation engineering, electronic and intelligent engineering; sales: building materials, decoration materials; business consulting services, information technology consulting services. It currently holds the Puning Land and is undertaking development project on the land parcel.

Among the Target Group:

- (i) The Project Company was established on 16 January 2020. For the period from 16 January 2020 to 31 December 2020, there is no revenue recognised, and the net loss (both before taxation and after taxation) amounted to RMB11,418,587.40. For the year ended 31 December 2021, the loss (both before taxation and after taxation) amounted to RMB77,918,146.18;
- (ii) For the year ended 31 March 2021 and the year ended 31 March 2022, the net loss (both before taxation and after taxation) of the Target Company amounted to HK\$89,800 and HK\$10,840, respectively;
- (iii) For the year ended 31 March 2021 and the year ended 31 March 2022, the net loss (both before taxation and after taxation) of the Hong Kong Holding Company amounted to HK\$5,050 and HK\$0, respectively;
- (iv) The PRC Holding Company is in the process of incorporation as at the date of this announcement.

The Puning Land situates at the intersection of Beihuan Avenue and Tielanshan Road, Puning City, the PRC, with an area of 48,719 square meters designated for urban residential use and business service use.

The Group plans to develop the Puning Land into a mix of residential and commercial properties, part of which is for leasing purpose. It is currently intended that not more than 80% of the planned gross floor area (“GFA”) of the Puning Land will be used to construct residential properties for sales, and not less than 20% of the planned GFA of the Puning Land will be used for leasing purpose such as to construct commercial properties (for example, retail shops and car parking space).

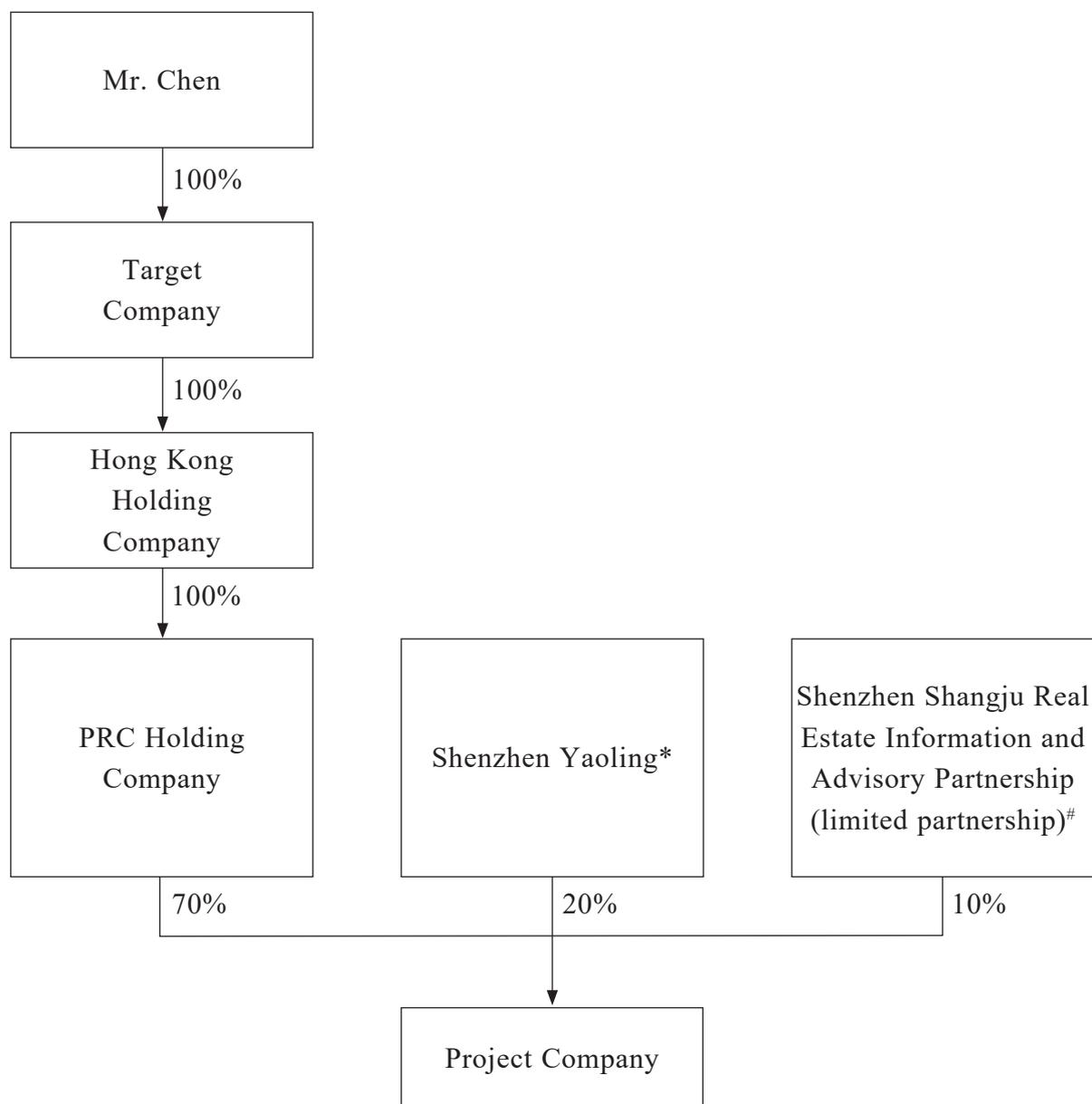
The project on the Puning Land is now under construction and all construction is expected to complete by the end of 2022. The Project Company has already launched pre-sale of the property on the Puning Land and received good responses from the market. As of 31 December 2021, approximately 70% of the total number of sellable units were sold; as of 30 June 2022, the sale amount of the project already amounted to approximately RMB1,735 million, with only approximately RMB588 million worth of properties unsold.

At present, the Project Company does not have other business plan after completion of the development of the Puning Land.

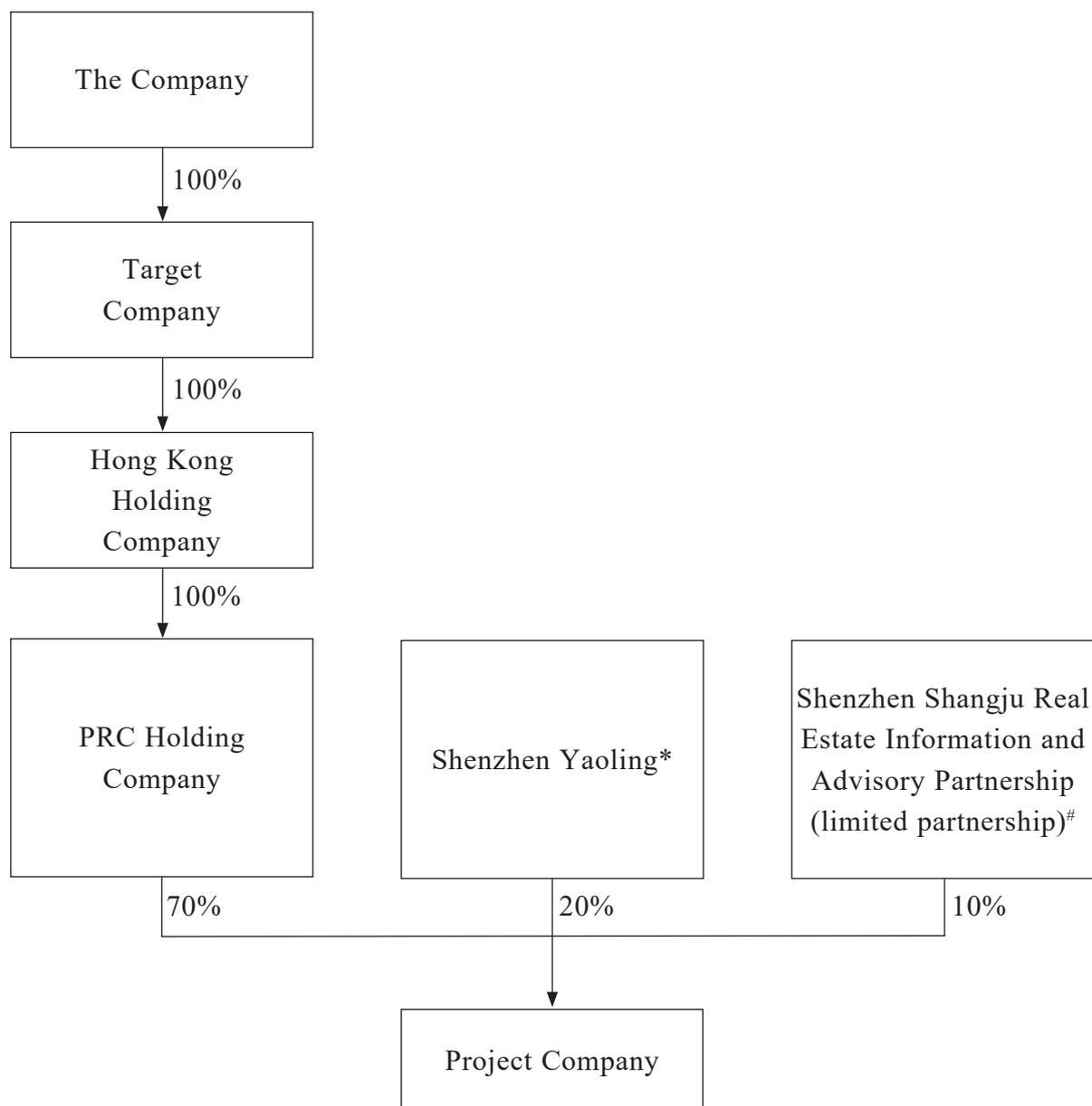
Mr. Chen will, through the Target Company (which holds 100% equity interest in the Hong Kong Holding Company and the PRC Holding Company), acquire 70% equity interest in the Project Company from Shenzhen Yaoling at the consideration of RMB315,000,000 before Completion. Completion will only take place and the Consideration will only be settled after Mr. Chen has indirectly acquired 70% equity interest in the Project Company.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE TARGET GROUP

Before the Acquisition, the shareholding structure of the Target Group is as follows:



Immediately after the completion of the Acquisition, the shareholding structure of the Target Group will be as follows:



* *Shenzhen Yaoling is principally engaged in investment in industrial enterprises (specific projects to be separately reported); investment advisory (excluding restricted items); logistics solutions design, logistics information consulting; development and operation of real estate (on the land for which the right of use has been legally obtained); real estate brokerage; leasing of owned properties; domestic trade (excluding franchised, exclusive and proprietary goods); operation of import and export business; and logistics and warehousing. Shenzhen Yaoling is wholly-owned by Shenzhen Tangshang Industrial Group Limited, which Mr. Jiang Dingwei and Ms. Jiang Mengshan holds 60% and 40% of the equity interest, respectively. Mr. Jiang Dingwei and Ms. Jiang Mengshan are both cousins of Mr. Chen, and hence Shenzhen Yaoling is a connected person of the Company.*

Shenzhen Shangju Real Estate Information and Advisory Partnership (limited partnership) is principally engaged in real estate marketing planning and information consulting services; conference and exhibition services; cleaning services; housekeeping services; industrial investment (declared separately for specific projects); licensed business project. The general partner is Mr. Chen Danjun, and its limited partners are Shenzhen Yinghui Investment Ltd. (深圳盈暉投資有限公司), Mr. Chen Zhenshou and Mr. Weng Qihao. Mr. Chen Danjun, Shenzhen Yinghui Investment Ltd. (深圳盈暉投資有限公司), Mr. Chen Zhenshou and Mr. Weng Qihao respectively holds 60%, 10%, 15% and 15% of interest in Shenzhen Shangju Real Estate Information and Advisory Partnership (limited partnership). The legal representative and ultimate beneficial owner of Shenzhen Yinghui Investment Ltd. are Ms. Jiang Xiumei and Mr. Zhong Jinxian. To the Directors' knowledge, information and belief and having made all reasonable enquiries, save that Mr. Weng Qihao is Mr. Chen's cousin and Ms. Jiang Xiumei is the sister of Mr. Chen's aunt, Shenzhen Shangju Real Estate Information and Advisory Partnership (limited partnership) and its ultimate beneficial owners are independent third parties not connected with the Company and its connected persons.*

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 2,894,466,570 Shares in issue. Set out below is the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after the Completion and the allotment and issue of the Consideration Shares; and (iii) immediately after the Completion and the allotment and issue of the Consideration Shares and the Conversion Shares:

	As at the date of this announcement		Immediately after the Completion and the allotment and issue of the Consideration Shares		Immediately after the Completion and the allotment and issue of the Consideration Shares and the Conversion Shares*	
	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %
Mr. Chen	1,451,654,977	50.15	1,985,654,977	57.92	3,231,404,977	69.13
Shenzhen Yaoling	585,600,000	20.23	585,600,000	17.08	585,600,000	12.53
Public Shareholders	857,211,593	29.62	857,211,593	25.00	857,211,593	18.34
Total	<u>2,894,466,570</u>	<u>100.00</u>	<u>3,428,466,570</u>	<u>100.00</u>	<u>4,674,216,570</u>	<u>100.00</u>

* *For illustration purpose only. In practice, the issue of the Conversion Shares is subject to the Company meeting the public float requirement under the Listing Rules.*

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE TRANSACTIONS

The Project Company has commenced the property project in Puning in 2020 and achieved satisfactory pre-sale results. The Company believes that the acquisition of the shares of the Project Company at present would enable the Company to generate more revenue from the development project on the Puning Land.

Having considered the above factors, the Board considers that the terms of the Equity Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

INFORMATION OF THE COMPANY

The Company is an investment holding company principally engaged in property business. The Company has two segments. Property sub-leasing and investment business represents the subleasing and leasing of investment properties. Property development business represents development of real estates.

APPROVAL OF THE BOARD

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no Director has a material interest in the Equity Sale and Purchase Agreement except Mr. Chen, the connected Director, who has material interest in the Acquisition. Other Directors have unanimously approved the Equity Sale and Purchase Agreement (Mr. Chen, the connected Director, has abstained from voting), and consider that the terms of the Equity Sale and Purchase Agreement are on normal commercial terms, fair and reasonable, and the Equity Sale and Purchase Agreement is in the interests of the Company and its Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

In July 2022, the Company completed the acquisition of 55% equity interest in Dongguan Huachuangwen Land Ltd. from Shenzhen Yaoling. As Shenzhen Yaoling will transfer its equity interest in the Project Company to the PRC Holding Company controlled by Mr. Chen shortly before the Acquisition, the Previous Acquisition and the Acquisition shall be aggregated. As certain percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the Acquisition (after aggregation) exceed 100%, the Acquisition constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and Shareholders' approval requirements.

As at the date of this announcement, Mr. Chen, being the executive Director of the Company, is interested in approximately 50.15% of the shares of the Company. Mr. Chen is the controlling shareholder and therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition also constitutes a connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Consideration Shares will be issued under the specific mandate of the Company in accordance with the Listing Rules.

A special general meeting will be convened and held by the Company for the purpose of considering and, if thought fit, approving the resolution in relation to the Equity Sale and Purchase Agreement and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares and the Convertible Bonds. Mr. Chen, being the chairman of the Board and an executive Director, has a material interest in the Equity Sale and Purchase Agreement and the transactions contemplated thereunder and has abstained from voting on the Board resolution approving the Equity Sale and Purchase Agreement and the transactions contemplated thereunder.

The Independent Board Committee will advise the Independent Shareholders in respect of the relevant terms of the Equity Sale and Purchase Agreement. Rainbow Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on whether the transactions contemplated under the Equity Sale and Purchase Agreement are fair and reasonable and whether such transactions are in the interests of the Company and its Shareholders as a whole.

A circular containing, among other things, (i) further information of the terms of the Equity Sale and Purchase Agreement; (ii) a letter from the Independent Board Committee; (iii) an opinion from the Independent Financial Adviser; (iv) the financial information of the Group; (v) the unaudited pro forma financial information of the Group; (vi) a valuation report; (vii) the accountant's report on the Target Group; (viii) the accountant's report on the Project Company; (ix) a notice convening the special general meeting; and (x) other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 9 December 2022 after taking into account the estimated time required for the Company to prepare relevant information for inclusion in the circular.

As the Completion is conditional upon fulfilment or waiver (as the case may be) of the conditions precedent to the Equity Sale and Purchase Agreement, the Acquisition may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares by the Company from Mr. Chen in accordance with the terms and conditions of the Agreement
“Agreement” or “Equity Sale and Purchase Agreement”	the conditional Equity Sale and Purchase Agreement dated 31 October 2022 entered into by the Company and Mr. Chen in respect of the Acquisition
“Board”	the board of Directors of the Company
“Company”	China Tangshang Holdings Limited, a company incorporated in Bermuda with limited liability, and the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 674)
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Agreement
“Completion Date”	the date of Completion

“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration of RMB315,000,000 for the acquisition of the Sale Shares
“Consideration Share(s)”	534,000,000 new Shares to be allotted and issued by the Company to the vendor
“Conversion Price”	the initial Conversion Price of HK\$0.2 per Conversion Share
“Conversion Share(s)”	the new Share(s) which may be issued upon exercise of the conversion right attaching to the Convertible Bonds
“Convertible Bonds”	the zero-coupon convertible bonds with a principal amount of HK\$249,150,000 to be issued by the Company to Mr. Chen to settle part of the Consideration
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Holding Company”	Goldmate Enterprises Limited (金美企業有限公司), a company incorporated under the laws of Hong Kong which is directly wholly-owned by the Target Company
“Independent Board Committee”	the independent board committee, comprising all of the independent non-executive Directors, namely Mr. Chen Youchun, Ms. Lui Mei Ka and Mr. Zhou Xin, established for the purpose of advising the Independent Shareholders in respect of the signing of the Equity Sale and Purchase Agreement
“Independent Shareholders”	shareholders other than connected person(s) which is/are interested in the relevant transactions
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chen”	Mr. Chen Weiwu, chairman of the Board

“PRC”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Holding Company”	A company to be incorporated under the laws of the PRC which will be directly wholly-owned by Hong Kong Holding Company and hold 70% equity interest in the Project Company
“Previous Acquisition”	the acquisition of 55% equity interest of Dongguan Huachuangwen Land Ltd. by the Company from Shenzhen Yaoling in accordance with the equity sale and purchase agreement signed on 30 July 2021
“Puning Land”	the land situated at the intersection of Beihuan Avenue and Tielanshan Road, Puning City, the PRC, with an area of 48,719 square meters designated for urban residential use and business service use
“Rainbow Capital” and “Independent Financial Adviser”	Rainbow Capital (HK) Limited, a corporation licensed under the Securities and Futures Ordinance to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisition
“Project Company”	Puning Huachuangwen Industrial Development Co., Ltd.* (普寧華創文實業開發有限公司), a company incorporated on 16 January 2020 under the laws of the PRC with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	the issued entire share capital of the Target Company
“Share(s)”	ordinary shares of HK\$0.05 each in the share capital of the Company
“Shareholders”	shareholders of the Company
“Shenzhen Yaoling”	Shenzhen Yaoling Investment Company Limited* (深圳市耀領投資有限公司), a company incorporated under the laws of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Reach Glory Holdings Limited (致榮控股有限公司), a company incorporated under the laws of the British Virgin Islands with limited liability on 9 January 2020

“Target Group” the Target Company and its subsidiaries, including the Project Company

“%” per cent.

By Order of Board
China Tangshang Holdings Limited
Chen Weiwu
Chairman

Hong Kong, 31 October 2022

As at the date of this announcement, the executive Directors are Mr. Chen Weiwu (Chairman) and Mr. Zhou Houjie; and the independent non-executive Directors are Mr. Chen Youchun, Ms. Lui Mei Ka and Mr. Zhou Xin.