
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **China Hongguang Holdings Limited** (the “**Company**”), you should at once hand this circular with the enclosed form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale was effected for transmission to the purchaser(s) or transferee(s).

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This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities for the Company.



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)

- (1) PROPOSED ADOPTION OF AMENDED AND RESTATED
MEMORANDUM AND ARTICLES OF ASSOCIATION;
(2) PROPOSED ADOPTION OF SHARE OPTION SCHEME;
AND
(3) SUPPLEMENTAL NOTICE OF ANNUAL GENERAL MEETING**
-

A supplemental notice of the annual general meeting (“**AGM**”) of the Company to be held at Jieyang Donghu Grand Hotel, No. 8, South of Wangjiang North Road, West of Donghu Road, Rongcheng District, Jieyang City, Guangdong Province, the PRC on Friday, 30 June 2023 at 3:00 p.m. is set out on pages 37 to 38 of this circular.

A form of proxy is enclosed with this circular. Whether or not you intend to attend and vote at the AGM, you are requested to complete and return the enclosed supplemental form of proxy in accordance with the instructions printed thereon to the Company’s Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the AGM or any adjournment thereof (as the case may be). Completion and return of the supplemental form of proxy will not preclude you from attending and voting at the AGM or any adjournment thereof (as the case may be) should you so desire.

This circular will remain on the “Latest Listed Company Information” page of the website of the Stock Exchange at www.hkexnews.hk for at least seven days from the day of its posting. This circular will also be published on the website of the Company at www.hongguang.hk.

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given the companies listed on GEM are generally small and mid-sized companies, there is risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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DEFINITIONS

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

“Adoption Date”	the date on which the Share Option Scheme becomes unconditional
“AGM”	the annual general meeting of the Company to be convened and held at Jieyang Donghu Grand Hotel, No. 8, South of Wangjiang North Road, West of Donghu Road, Rongcheng District, Jieyang City, Guangdong Province, the PRC on Friday, 30 June 2023 at 3:00 p.m., notice of which is set out on pages 37 to 38 of this circular
“Amended and Restated Memorandum and Articles of Association”	the amended and restated memorandum and articles of association of the Company incorporating and consolidating all the Proposed Amendments
“Board”	the board of directors of the Company
“Business Day”	any day on which the Stock Exchange is open for the business of dealing in securities listed thereon
“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)
“Director(s)”	member(s) of the Board of the Company
“Eligible Participant(s)”	the Directors (including independent non-executive directors) and employees (whether full-time or part-time) of any member of the Group (including persons who are granted Options under the Share Option Scheme as inducement to enter into employment contracts with any member of the Group)
“GEM”	the GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Grantee”	any Eligible Participant who accepts the offer for the grant of an Option in accordance with the terms of the Share Option Scheme

DEFINITIONS

“Group”	the Company and its subsidiaries from time to time
“Latest Practicable Date”	30 May 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Memorandum and Articles of Association	the memorandum and articles of association of the Company currently in force
“Minimum Period”	with respect to an Option, the period commences on the offer date and ending on the day immediately prior to the first anniversary thereof
“Nomination Committee”	the nomination committee of the Company
“Offer”	an offer to an Eligible Participant for the grant of an Option
“Option”	any option to subscribe for Shares pursuant to the Share Option Scheme
“Option Period”	in respect of any particular Option, the period to be determined and notified by the Company to the Grantee thereof at the time of making an offer for the grant of an Option
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, Macau and Taiwan
“Proposed Amendments”	the proposed amendments to the Memorandum and Articles of Association as set out in the Appendix to this circular
“Remuneration Committee”	the remuneration committee of the Company
“Scheme Mandate Limit”	has the meaning defined in the section headed “7. MAXIMUM NUMBER OF SHARES AVAILABLE FOR ISSUE” of Appendix II
“Share(s)”	ordinary share of HK\$0.01 each in the share capital of the Company
“Share Option Scheme”	the share option scheme proposed to be adopted by the Company at the AGM

DEFINITIONS

“Shareholder(s)”	the holder(s) of the Share(s) of the Company from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Suspension Date”	has the meaning defined in the section headed “19. RIGHTS ON RECONSTRUCTION, COMPROMISE OR ARRANGEMENT” of Appendix II
“Takeovers Code”	the Codes on Takeovers and Mergers issued by the Securities and Futures Commission as amended from time to time
“Termination Date”	close of business of the Company on the date which falls on the date immediately prior to the tenth anniversary of the Adoption Date
“%”	per cent

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. WEI Jiakun (*Chief Executive Officer*)

Ms. LIN Weishan (*Chairwoman*)

Mr. CHEN Biming

Ms. LI Wanna

Registered office:

Cricket Square, Hutchins Drive

PO Box 2681

Grand Cayman, KY1-1111

Cayman Islands

Independent Non-executive Directors:

Ms. CHEN Xiuyan

Mr. JIA Xiaogang

Mr. WU Yong

*Head Office and Principal Place of
Business in the PRC:*

Eastside of Middle of Rongchi Road

Xianqiao, Rongcheng, Jieyang

Guandong, the PRC

Principal place of business in Hong Kong:

Room 1202, 1204–06, 12th Floor

The Chinese Bank Building

61 Des Voeux Road Central

Central, Hong Kong

5 June 2023

To the Shareholders

Dear Sir or Madam,

- (1) PROPOSED ADOPTION OF AMENDED AND RESTATED
MEMORANDUM AND ARTICLES OF ASSOCIATION;
(2) PROPOSED ADOPTION OF SHARE OPTION SCHEME;
AND
(3) SUPPLEMENTAL NOTICE OF ANNUAL GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to: (i) provide you with details of the proposed adoption of the Amended and Restated Memorandum and Articles of Association and the proposed adoption of the Share Option Scheme; (ii) and give you supplemental notice of the AGM.

LETTER FROM THE BOARD

PROPOSED ADOPTION OF THE AMENDED AND RESTATED MEMORANDUM AND ARTICLES OF ASSOCIATION

The Board proposes that the Proposed Amendments be made to the existing the Memorandum and Articles of Association to (i) bring the Memorandum and Articles of Association in line with the latest legal and regulatory requirements, including the applicable laws of the Cayman Islands and the amendments made to Appendix 3 to the GEM Listing Rules which took effect on 1 January 2022; and (ii) make other consequential and housekeeping amendments to the Memorandum and Articles of Association. In view of the Proposed Amendments, the Board proposes to adopt the Amend and Restated Memorandum and Articles of Association in substitution for, and to the exclusion of, the Memorandum and Articles of Association.

A summary of the major areas of the Proposed Amendments is set out below:

1. to update the definition of “Law” to bring it in line with the Companies Act (Revised) of the Cayman Islands;
2. to provide that an annual general meeting of the Company shall be held for each financial year within six months after the end of such financial year (or such longer period as may be permitted by the rules of the Stock Exchange, if any) at such time and place as may be determined by the Board;
3. to provide that any one or more members holding at the date of deposit of the requisition not less than one-tenth of the voting rights, on a one vote per share basis, in the share capital of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business and/or passing of resolutions specified in such requisition;
4. to provide that an annual general meeting must be called by notice of not less than twenty-one (21) clear days and all other general meetings (including an extraordinary general meeting) must be called by notice of not less than fourteen (14) clear days, but if permitted by the rules of the Stock Exchange, a general meeting may be called by shorter notice;
5. to provide that subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Amended and Restated Memorandum and Articles of Association, at any general meeting on a poll every Shareholder of the Company present in person or by proxy or, in the case of a Shareholder being a corporation, by its duly authorised representative shall have (a) the right to speak and (b) subject to the provisions on a show of hands, one vote for every share of which he is the holder;

LETTER FROM THE BOARD

6. to provide that where a Shareholder is, under the rules of the Stock Exchange, required to abstain from voting to approve any particular transaction or arrangement (including without limitation where a Shareholder has a material interest in the transaction or arrangement being voted upon), that Shareholder shall not be entitled to vote thereon;
7. to provide that any shareholder entitled to attend, speak and vote at a meeting of the Company (including without limitation a clearing house, where it is a shareholder) shall be entitled to appoint another person as his proxy to attend, speak and vote instead of him;
8. to provide that the directors shall have the power from time to time and at any time to appoint any person as a director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director so appointed shall hold office until the first annual general meeting of the Company after his appointment and be subject to re-election at such meeting;
9. to provide that at the annual general meeting or at a subsequent extraordinary general meeting in each year, the Shareholders shall appoint an auditor to audit the accounts of the Company by way of ordinary resolution. The Shareholders may, at any general meeting convened, remove the auditor at any time before the expiration of his term of office by way of ordinary resolution;
10. to clarify that the remuneration of the auditor shall be fixed by the shareholders by ordinary resolution in general meeting or in such manner as specified in such ordinary resolution;
11. to provide that if the office of auditor becomes vacant by the resignation or death of the auditor, or by his becoming incapable of acting by reason of illness or other disability at a time when his services are required, the Directors shall fill the vacancy and fix the remuneration of the auditor so appointed, provided that such appointment to fill the vacancy is only until the next annual general meeting of the Company, at which the requirements of Article 152(1) shall be met;
12. to make other amendments for house-keeping purposes to update or clarify provisions where the Board considers appropriate in accordance with or to better align with the wording in the applicable laws of Cayman Islands and the GEM Listing Rules; and
13. to provide that the financial year end of the Company shall be 31 of December in each year, unless otherwise determined by the Directors from time to time.

The proposed adoption of the Amended and Restated Memorandum and Articles of Association is subject to the approval of the Shareholders by way of a special resolution at the AGM, and will become effective upon the approval by the Shareholders at the AGM.

LETTER FROM THE BOARD

PROPOSED ADOPTION OF THE SHARE OPTION SCHEME

(1) Introduction

The Board proposes to adopt the Share Option Scheme in accordance with Chapter 23 of the GEM Listing Rules.

As at the Latest Practicable Date, the Company has no share option scheme and there was no outstanding share option of the Company.

To enable the Company to continue to grant Options to the Eligible Participants, the Board proposes to recommend to the Shareholders at the AGM to approve and adopt the Share Option Scheme.

A summary of the principal terms of the Share Option Scheme is set out in the Appendix II to this circular.

(2) The purpose

The purpose of the Share Option Scheme is set out in the section headed “1. PURPOSE” in Appendix II.

(3) The conditions

The conditions for the adoption of the Share Option Scheme are set out in the section headed “25. CONDITIONS” in Appendix II.

While the Eligible Participants include independent non-executive Directors, the Company is of the view that the independence and impartiality of the independent non-executive Directors would not be affected by any possible grant of the Options (i) the independent non-executive Directors must continue to comply with the independence requirement under Rule 5.09 of the GEM Listing Rules; (ii) as set out in paragraph (2)(a) in the section headed “8. GRANT OF OPTIONS TO A DIRECTOR, CHIEF EXECUTIVE OR SUBSTANTIAL SHAREHOLDER OF THE COMPANY OR ANY OF THEIR ASSOCIATES”, certain grants to them will require approval by the independent Shareholders; and (iii) before making any grants to any independent non-executive Director, the Board will always be mindful of the recommended best practice E.1.9 of the corporate governance code set out in Appendix 15 to the GEM Listing Rules which recommends that issuers should generally not grant equity-based remuneration with performance-related elements to independent non-executive directors.

The Eligible Participants play a key role in the development and continued success of the Group’s business and operations, and have contributed or may contribute to the Group in the future. The Company considers that the success of the Group principally comes from the collective efforts and contributions of the employees and directors of the Group. As such, the categories of Eligible Participants (which include only employees and directors of the Group

LETTER FROM THE BOARD

only) align with the purpose of the Share Option Scheme as set out in the section headed “1. PURPOSE” in Appendix II.

(4) The Eligible Participants

The Eligible Participants and the criteria for determination of their eligibility are set out in the section headed “3. ELIGIBLE PARTICIPANTS AND THE BASIS OF ELIGIBILITY OF THE PARTICIPANTS OF THE SHARE OPTION SCHEME” in Appendix II.

In determining the basis of eligibility for the Eligible Participants, the factors in assessing whether any person is eligible to participate in the Share Option Scheme include: (1) the performance of the Directors and employees; (2) their time commitment, responsibilities or employment conditions according to the prevailing market practice and industry standard; (3) their length of engagement with the Group; and (4) their contribution or potential contribution to the development and growth of the Group.

Having considered that (i) equity-based remuneration is an important means of ensuring alignment between the interests of the Shareholders and Board members, and serves to promote the success of the Group; and (ii) the subscription price of the shares upon the exercise of the Option will not be lower than the then prevalent market price of the Shares, which serves to preserve the value of the Company, the Board believes that the eligibility of the Eligible Participants and the exercise price of the Options are in line with the purpose of the Share Option Scheme.

(5) Vesting Period

The vesting period of the Options is set out in the section headed “5. VESTING PERIOD” of Appendix II. The same section also sets out circumstances in which the Board may grant Options with a vesting period shorter than the Minimum Period.

The Board and the remuneration committee of the Company are of the view that (i) there are certain instances (for example in circumstances (1) to (3) set out in the section headed “5. VESTING PERIOD” of Appendix II to this circular) where a strict twelve (12)-month vesting requirement would not be fair to the Options holder(s); (ii) there is a need for the Company to retain flexibility to reward exceptional performers with accelerated vesting or in exceptional circumstances where justified; and (iii) the Company should be allowed to formulate its own talent recruitment and retention strategies in response to changing market conditions and industry competition. It should have the flexibility to impose vesting conditions such as performance-based vesting conditions instead of time-based vesting criteria depending on individual circumstances.

As such, the Board and the remuneration committee of the Company are of the view that the circumstances when vesting period is shorter than the Minimum Period prescribed in the section headed “5. VESTING PERIOD” of Appendix II to this circular are appropriate and align with the purpose of the Share Option Scheme.

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(6) Maximum number of Shares subject to the Share Option Scheme

The total number of Shares which may be issued in respect of all Options which may be granted under the Share Option Scheme is set out in the section headed “7. MAXIMUM NUMBER OF SHARES AVAILABLE FOR ISSUE” in Appendix II. As at the Latest Practicable Date, the number of issued Shares was 399,000,000 Shares. Assuming that there will be no change in the number of issued Shares between the Latest Practicable Date and the Adoption Date, the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme together with all options and awards which may be granted under any other share schemes for the time being of the Company would be 39,900,000 Shares, representing approximately 10% of the issued share capital of the Company on the date of approval of the Share Option Scheme.

(7) Performance targets and clawback mechanism

Save as determined by the Board and provided in the offer letter of the grant of an Option, the Share Option Scheme does not stipulate any performance target a Grantee is required to achieve before the relevant Option can be exercised nor any clawback mechanism for the Company to recover or withhold any Options granted to any Eligible Participants.

The Board believes that this will provide the Board with more flexibility in setting out the terms and conditions of the Options under particular circumstances of each grant and facilitate the Board to offer suitable incentive to attract and retain quality personnel that are valuable to the development of the Group. The Board may at its discretion specify any conditions (including performance targets (if any)) which must be satisfied before an Option may be vested. In general, performance targets may include (i) financial performance targets (e.g. revenue, profits and market capitalization of the Group); and/or (ii) individual and operation targets (e.g. delivery of specific projects managed by the Grantees, cost control, punctuality and compliance with internal business procedures).

The Board is of the view that it is impracticable to set out a generic set of performance targets that apply to all Eligible Participants in the principal terms of the Share Option Scheme, as each Eligible Participant contributes to the Group in different ways and thus his/her performance will be measured with different parameters, having considered their roles in the Group. When setting specific performance targets for each Eligible Participant, the Board will have regard to the purpose of the Share Option Scheme and various other factors including but not limited to, and where appropriate, (i) sales performance (e.g. revenue), (ii) operational performance (e.g. operation efficiency in terms of cost control), (iii) financial performance (e.g. profits, cash flow, earnings, market capitalization, return on equity) of the Group, the individual’s overall performance indicators (e.g. strategic driving abilities, talent development capabilities, inter-departmental cooperation capabilities, adherence to corporate culture) and discipline and responsibility (e.g. punctuality, integrity, honesty or compliance with internal procedures).

LETTER FROM THE BOARD

The finance and human resources department will propose the performance targets (if any) of each Eligible Participant to the Board or the Remuneration Committee (as the case may be) for consideration, who will then assess the reasonableness and suitability and confirm such performance targets. A description of the relevant performance targets will be included in the announcement of the grant of Options, in accordance with the GEM Listing Rules. In relation to the Options granted to the Directors and senior management of the Company, the performance targets, or the absence of such, shall be further subject to the approval of the Remuneration Committee and any other requirements under the GEM Listing Rules.

The Company will evaluate the actual performance and contribution of an Eligible Participant on a case-by-case basis for the past financial year against the performance targets set and form a view as to whether the relevant performance targets have been fulfilled. The assessment will be based on the individual's overall performance, performance of the team or department that the Eligible Participant belongs to and the performance of the Group as a whole. The Board or the Remuneration Committee (if authorised by the Board) shall have the sole discretion in determining whether the relevant performance targets for the Eligible Participant have been met.

(8) Others

As at the Latest Practicable Date, the Company has no other concrete plan to grant Options under the Share Option Scheme.

The Company has sought legal advice that the adoption of the Share Option Scheme would not constitute offer to public and prospectus requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong).

None of the Directors is and will be trustee of the Share Option Scheme nor has a direct or indirect interest in the trustee.

The Company will, where applicable, comply with the applicable requirements under Chapter 23 of the GEM Listing Rules in respect of the operation of the Share Option Scheme.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the Latest Practicable Date, no Shareholder had any material interest in the adoption of the Share Option Scheme. Accordingly, no Shareholder is required to abstain from voting on the resolution approving the adoption of the Share Option Scheme.

(9) Recommendation

Based on the above, the Board considers that the adoption of the Share Option Scheme is in the interests of the Company and the Shareholders as a whole, and would enable the purpose of the Share Option Scheme to be achieved. Accordingly, the Directors recommend all Shareholders to vote in favor of the relevant resolutions to be proposed at the AGM.

LETTER FROM THE BOARD

(10) Application for Listing

Application will be made to the Listing Committee of the Stock Exchange for the approval of the listing of, and permission to deal in, the Shares which may fall to be issued and allotted pursuant to the exercise of any Option that may be granted under the Share Option Scheme.

(11) Document on display

A copy of the Share Option Scheme will be published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.hongguang.hk for a period of not less than 14 days before the date of the AGM and is also made available for inspection at the AGM.

AGM

The AGM will be convened for the purpose of considering and, if thought fit, approving, among other things, the proposed adoption of the Restated and Amended Memorandum and Articles of Association and the proposed adoption of the Share Option Scheme.

A notice convening the AGM to be held at Jieyang Donghu Grand Hotel, No. 8, South of Wangjiang North Road, West of Donghu Road, Rongcheng District, Jieyang City, Guangdong Province, the PRC on Friday, 30 June 2023 at 3:00 p.m. is set out on pages 37 to 38 of this circular.

Pursuant to Rule 17.47(4) of the GEM Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

A supplemental form of proxy for use by Shareholders at AGM is enclosed with this circular. Whether or not you intend to attend and vote at the AGM in person, you are requested to complete and return the enclosed supplemental form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding of the AGM or any adjournment thereof (as the case may be). Completion and return of the supplemental form of proxy will not preclude you from subsequently attending and voting at the AGM or any adjournment thereof (as the case may be) should you so desire.

RECOMMENDATION

The Directors believe that the proposed resolutions relating to the proposed adoption of the Amended and Restated Memorandum and Articles of Association and the proposed adoption of the Share Option Scheme are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of all the resolutions to be proposed at the AGM.

LETTER FROM THE BOARD

RESPONSIBILITY STATEMENT

This circular, 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 circular 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 circular misleading.

ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the Appendices to this circular.

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

THE MEMORANDUM OF ASSOCIATION

THE COMPANIES ACT (REVISED)~~LAW~~

EXEMPTED COMPANY LIMITED BY SHARES

SECOND AMENDED AND RESTATED

MEMORANDUM OF ASSOCIATION

OF

China Hongguang Holdings Limited

中國宏光控股有限公司

(Adopted pursuant to a special resolution dated [•]11 December 2019)

Clause number	Proposed amendments showing changes to the existing Memorandum
4	Subject to the following provisions of this Memorandum, the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided by Section 27(2) of the Companies <u>Act</u> LAW (Revised).
8	The share capital of the Company is HK\$10,000,000 divided into 1,000,000,000 shares of a nominal or par value of HK\$0.01 each, with the power for the Company, insofar as is permitted by law, to redeem or purchase any of its shares and to increase or reduce the said share capital subject to the provisions of the Companies <u>Act</u> LAW (Revised) and the Articles of Association of the Company and to issue any part of its capital, whether original, redeemed or increased, with or without any preference, priority or special privilege or subject to any postponement of rights or to any conditions or restrictions; and so that, unless the conditions of issue shall otherwise expressly declare, every issue of shares, whether declared to be preference or otherwise, shall be subject to the power hereinbefore contained.
9	The Company may exercise the power contained in the Companies <u>Act</u> (Revised)LAW to deregister in the Cayman Islands and be registered by way of continuation in another jurisdiction.

THE ARTICLES OF ASSOCIATION

General amendments:

Replacing all references to the defined term “Law” with “Companies Act” wherever they appear in the existing Articles of Association and replacing all references to the defined term “Designated Stock Exchange” to “HK Stock Exchange” and appropriate cosmetic changes.

Specific amendments:

The Companies ~~Act~~Law (Revised)
Company Limited by Shares

SECOND AMENDED AND RESTATED ARTICLES OF ASSOCIATION

OF

China Hongguang Holdings Limited
中國宏光控股有限公司

(~~Conditionally a~~Adopted by a special resolution dated ~~passed on [•] 11 December, 2019~~
with effect from the listing of shares of the Company on GEM of
The Stock Exchange of Hong Kong Limited)

THE COMPANIES ~~ACT~~LAW (REVISED)
COMPANY LIMITED BY SHARES

SECOND AMENDED AND RESTATED ARTICLES OF ASSOCIATION

OF

China Hongguang Holdings Limited

中國宏光控股有限公司

(Conditionally ~~a~~Adopted by a special resolution passed on [•] dated ~~11~~ December, 2019
with effect from the listing of shares of the Company on GEM of
The Stock Exchange of Hong Kong Limited)

Article No. Proposed amendments showing changes to existing Articles of Association

1. The regulations in Table A in the Schedule to the Companies ActLAW (Revised) do not apply to the Company.

2. (1) In these Articles, unless the context otherwise requires, the words standing in the first column of the following table shall bear the meaning set opposite them respectively in the second column.

<u>WORD</u>	<u>MEANING</u>
“clearing house”	a clearing house recognised by the laws of the jurisdiction in which the shares of the Company are listed or quoted on a stock exchange in such jurisdiction, <u>including without limitation the HKSCC (as defined in the rules of the HK Stock Exchange).</u>
“Companies Act”	<u>the Companies Act (Revised) of the Cayman Islands, and any amendments thereto or re-enactments thereof from time to time;</u>
“ Designated Stock Exchange ”	a stock exchange in respect of which the shares of the Company are listed or quoted and where such stock exchange deems such listing or quotation to be the primary listing or quotation of the shares of the Company.
“ <u>HK Stock Exchange</u> ”	<u>The Stock Exchange of Hong Kong Limited.</u>

<u>WORD</u>	<u>MEANING</u>
“Law”	The Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.
“ordinary resolution”	a resolution shall be an ordinary resolution when it has been passed by a simple majority of votes cast by such Members as , being entitled so to do, <u>present and voting</u> vote in person or, in the case of any Member being a corporation, by its duly authorised representative or, where proxies are allowed, by proxy at a general meeting of which Notice has been duly given in accordance with Article 59.
“special resolution”	a resolution shall be a special resolution when it has been passed by a majority of not less than three-fourths of votes cast by such Members as , being entitled so to do, <u>present and voting</u> vote in person or, in the case of such Members as are corporations, by their respective duly authorised representative or, where proxies are allowed, by proxy at a general meeting of which Notice has been duly given in accordance with Article 59;
“Statutes”	the <u>Companies Act</u> Law and every other <u>act</u> law of the <u>Parliament</u> Legislature of the Cayman Islands for the time being in force applying to or affecting the Company, its memorandum of association and/or these Articles.

2. (2) In these Articles, unless there be something within the subject or context inconsistent with such construction:
- (i) Section 8 and Section 19 of the Electronic Transactions Act (Revised)~~Law (2003)~~ of the Cayman Islands, as amended from time to time, shall not apply to these Articles to the extent it imposes obligations or requirements in addition to those set out in these Articles.

10. Subject to the ~~Companies Act~~Law and without prejudice to Article 8, all or any of the special rights for the time being attached to the shares or any class of shares may, unless otherwise provided by the terms of issue of the shares of that class, from time to time (whether or not the Company is being wound up) be varied, modified or abrogated ~~either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or~~ with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting all the provisions of these Articles relating to general meetings of the Company shall, *mutatis mutandis*, apply, but so that:

App. 3
156(1)
App. 11B
2(1)

(a) the necessary quorum (~~whether at such separate general meeting or any adjournment thereof~~other than at an adjourned meeting) shall be two persons (or in the case of a Member being a corporation, its duly authorized representative) holding or representing by proxy not less than one-third ~~in nominal value of the issued shares of that class and at any adjourned meeting of such holders, two holders present in person or (in the case of a Member being a corporation) its duly authorized representative or by proxy (whatever the number of shares held by them) shall be a quorum;~~ and

App. 3
6(2)

19. Share certificates shall be issued within the relevant time limit (~~if any~~) as prescribed by the ~~Companies Act~~Law or as the ~~HK~~Designated Stock Exchange may from time to time determine, whichever is the shorter, after allotment or, except in the case of a transfer which the Company is for the time being entitled to refuse to register and does not register, after lodgment of a transfer with the Company.

56. An annual general meeting of the Company shall be held for each financial year, within six months after the end of such financial year ~~in each year other than the year of the Company's adoption of these Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or not more than eighteen (18) months after the date of adoption of these Articles, unless a~~(or such longer period as may be permitted ~~by~~would not infringe the rules of the ~~HK~~Designated Stock Exchange, if any) at such time and place as may be determined by the Board.

App. 11B
3(3)
4(2)
App. 3
14(1)

58. The Board may whenever it thinks fit call extraordinary general meetings. Any one or more Members holding at the date of deposit of the requisition not less than one-tenth of the voting rights, on a one vote per share basis, in the share capital~~paid-up capital~~ of the Company ~~carrying the right of voting at general meetings of the Company~~ shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business and/or passing of resolutions specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

59.(1) An annual general meeting must be called by Notice of not less than twenty-one (21) clear days ~~and not less than twenty (20) clear business days.~~ All~~and all~~ other general meetings (including an extraordinary general meeting) must be called by Notice of not less than fourteen (14) clear days, ~~and not less than ten (10) clear business days~~ but if permitted by the rules of the HK~~Designated~~ Stock Exchange, a general meeting may be called by shorter notice, ~~subject to the Law, if it is so agreed:~~

- (a) ~~in the case of a meeting called as an annual general meeting, by all the Members entitled to attend and vote thereat; and~~
- (b) ~~in the case of any other meeting, by a majority in number of the Members having the right to attend and vote at the meeting, being a majority together representing not less than ninety-five per cent. (95%) of the total voting rights at the meeting of all the Members.~~

App. 11B
3(1)
App. 3
14(2)

66. (1) Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with these Articles, at any general meeting on a poll every Member present in person or by proxy or, in the case of a Member being a corporation, by its duly authorised representative shall have (a) the right to speak and (b) subject to the below provisions on a show of hands, one vote for every fully paid share of which he is the holder ~~but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share.~~ A resolution put to the vote of a meeting shall be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every Member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a Member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. For purposes of this Article, procedural and administrative matters are those that (i) are not on the agenda of the general meeting or in any supplementary circular that may be issued by the Company to its Members; and (ii) relate to the chairman's duties to maintain the orderly conduct of the meeting and/or allow the business of the meeting to be properly and effectively dealt with, whilst allowing all Members a reasonable opportunity to express their views.
73. (1) No Member shall, unless the Board otherwise determines, be entitled to attend and vote and to be reckoned in a quorum at any general meeting unless he is duly registered ~~and all calls or other sums presently payable by him in respect of shares in the Company have been paid.~~
73. (2) Where a Member is, under the rules of the HK Stock Exchange, required to abstain from voting to approve any particular transaction or arrangement (including without limitation where a Member has a material interest in the transaction or arrangement being voted upon), that Member shall not be entitled to vote thereon. Where the Company has knowledge that any Member is, under the rules of the ~~HK Designated~~ Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such Member in contravention of such requirement or restriction shall not be counted.

75. Any Member entitled to attend, speak and vote at a meeting of the Company (including without limitation a clearing house, where it is a Member) shall be entitled to appoint another person as his proxy to attend, speak and vote instead of him. A Member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a Member. In addition, a proxy or proxies representing either a Member who is an individual or a Member which is a corporation shall be entitled to exercise the same powers on behalf of the Member which he or they represent as such Member could exercise.

App-14B
2(2)
App. 3
18, 19

77. The instrument appointing a proxy and (if required by the Board) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to such place or one of such places (if any) as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the meeting (or, if no place is so specified at the Registration Office or the Office, as may be appropriate) not less than forty eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote. No instrument appointing a proxy shall be valid after the expiration of twelve (12) months from the date named in it as the date of its execution, except at an adjourned meeting in cases where the meeting was originally held within twelve (12) months from such date. Delivery of an instrument appointing a proxy shall not preclude a Member from attending, speaking and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.

81. (1) Any corporation which is a Member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or at any meeting of any class of Members. The person so authorised shall be entitled to exercise the same powers (including without limitation the power to attend, speak and vote at any general meeting) on behalf of such corporation as the corporation could exercise if it were an individual Member and such corporation shall for the purposes of these Articles be deemed to be present in person at any such meeting if a person so authorised is present thereat.

App-14B
2(2)
App. 3
18

83. (3) The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director so appointed by the Board to fill a casual vacancy shall hold office until the first annual general meeting of the Company Members after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

App. 3
4(2)

83. (5) The Members may, at any general meeting convened and held in accordance with these Articles, by ordinary resolution remove a Director (including a managing or other executive Director) at any time before the expiration of his ~~term~~period of office notwithstanding anything to the contrary in these Articles or in any agreement between the Company and such Director (but without prejudice to any claim for damages under any such agreement).

App. 3
4(3)
~~App. 11B~~
5(1)

152. (1) At the annual general meeting or at a subsequent extraordinary general meeting in each year, the Members shall by ordinary resolution appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Such auditor may be a Member but no Director or officer or employee of the Company shall, during his continuance in office, be eligible to act as an auditor of the Company.

~~App. 11B~~
4(2)
App. 3
17

152. (2) The Members may, at any general meeting convened and held in accordance with these Articles, by ~~ordinary~~special resolution remove the Auditor at any time before the expiration of his term of office and shall by ordinary resolution at that meeting appoint another Auditor in his stead for the remainder of his term.

App. 3
17

154. The remuneration of the Auditor shall be fixed by ~~the Company~~the Members by ordinary resolution in general meeting or in such manner as ~~the Members~~ may determine specified in such ordinary resolution.

App. 3
17

155. If the office of auditor becomes vacant by the resignation or death of the Auditor, or by his becoming incapable of acting by reason of illness or other disability at a time when his services are required, the Directors shall fill the vacancy and fix the remuneration of the Auditor so appointed, provided that such appointment to fill the vacancy is only until the next annual general meeting of the Company, at which the requirements of Article 152(1) shall be met.

FINANCIAL YEAR

167. Unless otherwise determined by the Directors, the financial year of the Company shall end on the 31st day of December in each year.

The following is a summary of the principal terms of the Share Option Scheme to be approved and adopted by ordinary resolution at the AGM, but such summary does not form part of, nor was it intended to be, part of the Share Option Scheme, nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme:

1. PURPOSE

The purpose of the Share Option Scheme is to attract and retain the best available personnel of the Group, to provide additional incentive to the Eligible Participants and to promote the success of the business of the Group. The Share Option Scheme will give the Eligible Participants an opportunity to have a personal stake in the Company and will help motivate the Eligible Participants in optimising their performance and efficiency and attract and retain the Eligible Participants whose contributions are important to the long-term growth of the Group.

2. ADMINISTRATION OF THE SHARE OPTION SCHEME

The Share Option Scheme shall be subject to the administration of the Board whose decision on all matters arising in relation to the Share Option Scheme or its interpretation or application or effect shall (save as otherwise provided in the Share Option Scheme and in the absence of manifest error) be final and binding on all persons who may be affected thereby. For the avoidance of doubt, subject to compliance with the requirements of the GEM Listing Rules and the provisions of the Share Option Scheme, the Board shall have the right to (i) interpret and construe the provisions of the Share Option Scheme; (ii) determine the persons who will be offered Options under the Share Option Scheme, and the number of Shares and the subscription price of the Shares, in relation to such Options; (iii) make such appropriate and equitable adjustments to the terms of Options granted under the Share Option Scheme as it may deem necessary; and (iv) make such other decisions or determinations or regulations as it shall deem appropriate for the administration of the Share Option Scheme.

3. ELIGIBLE PARTICIPANTS AND THE BASIS OF ELIGIBILITY

Eligible Participants are the directors (including independent non-executive directors) and employees (whether full-time or part-time) of any member of the Group (including persons who are granted Options under the Share Option Scheme as inducement to enter into employment contracts with any member of the Group).

In determining the basis of eligibility for the Eligible Participants, the factors in assessing whether any person is eligible to participate in the Share Option Scheme include: (1) the performance of the Directors and employees; (2) their time commitment, responsibilities or employment conditions according to the prevailing market practice and industry standard; (3) their length of engagement with the Group; and (4) their contribution or potential contribution to the development and growth of the Group.

As the purpose of the Share Option Scheme is to attract and retain the best available personnel of the Group, to provide additional incentive to the Eligible Participants and to promote the success of the business of the Group, if any personnel has satisfactory performance in performing his/her job duties, has served the Group for a long period of time and has showed his/her loyalty towards the Group, has contributed to or has the potential to promote or catalyse the continuing development and growth of the Group, or it is the prevailing market practice or industry standard to award the Options to such personnel, the Company would tend to have a more favourable assessment towards such Eligible Participants as to their eligibility.

4. GRANT AND ACCEPTANCE OF OPTIONS

Subject to and in accordance with the provisions of the Share Option Scheme and the GEM Listing Rules, the Board shall be entitled (but shall not be bound), at any time and from time to time and within a period commencing on the Adoption Date and ending on the Termination Date (both dates inclusive), to make an Offer to such Eligible Participant as it may, in its absolute discretion, select, and subject to such conditions as the Board may think fit, to subscribe for such number of Shares (being a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof) as the Board may, subject to section 7 below, determine at the subscription price pursuant to section 6 below, provided that no such Offer shall be made if a prospectus is required to be issued under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) or any applicable laws or if such grant will result in the breach by the Company or any of the Directors of any applicable securities laws and regulations in any jurisdiction.

An Offer shall be made to an Eligible Participant in writing (and unless so made shall be invalid) in such form as the Board may from time to time determine specifying the number of Shares and the Option Period and requiring the Eligible Participant to undertake to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme.

An Offer shall remain open for acceptance by the Eligible Participant concerned (and by no other person, including the Eligible Participant's personal representative) for a period of thirty (30) days from the date of offer. During such thirty (30) day period, an Offer shall be deemed to have been accepted by an Eligible Participant concerned in respect of all the Shares which are offered to such Eligible Participant when the duplicate letter comprising acceptance of the Offer duly signed by the Eligible Participant, together with a payment in favour of the Company of HK\$1.00 as consideration for the grant thereof, is received by the Company.

Any Offer may be accepted by an Eligible Participant in respect of less than the number of Shares which are offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof.

5. VESTING PERIOD

Save for the circumstances prescribed below, an Option must be held by the Grantee for a period that is not shorter than the Minimum Period before the Option can be exercised (including under the circumstances set out under sections 13 to 19 below).

The Board may at its discretion grant Options with a vesting period shorter than the Minimum Period in the following circumstances:

- (1) grants of “make-whole” Options to new joiners to replace the share options they forfeited when leaving the previous employers;
- (2) grants to an Eligible Participant whose employment is terminated due to death or occurrence of any out of control event;
- (3) grants that are made in batches during a year for administrative and compliance reasons, which include Options that should have been granted earlier if not for such administrative or compliance reasons but had to wait for subsequent batch;
- (4) grants of Options with a mixed or accelerated vesting schedule such as where the Options may vest evenly over a period of twelve (12) months; or
- (5) grants with performance-based vesting conditions in lieu of time-based vesting criteria.

6. EXERCISE OF OPTIONS AND SUBSCRIPTION PRICE OF SHARES

An Option may be exercised in whole or in part by the Grantee giving notice in writing to the Company stating that the Option is thereby exercised and the number of Shares in respect of which it is so exercised.

Each of such notice must be accompanied by a remittance for the full amount of the subscription price for the Shares in respect of which the notice is given.

Within twenty-one (21) days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate of the Company’s auditors or independent financial advisers, the Company shall accordingly allot and issue the relevant number of Shares to the Grantee (or, in the event of an exercise of Option by his or her personal representative, to the estate of the Grantee) credited as fully paid and instruct the share registrar of the Company to issue to the Grantee (or his or her personal representative(s)) a share certificate for the Shares so allotted.

Holders of the Options are not entitled to voting, dividend, transfer and other rights of the holders of the Shares, including those arising on a liquidation of the Company, save as otherwise provided in the Share Option Scheme or under the relevant laws or the memorandum of association and the Bye-laws in effect from time to time.

The subscription price for Shares to be subscribed under the Share Option Scheme may be determined by the Board at its absolute discretion, provided that it shall not be less than the highest of:

- (1) the closing price of the Shares as shown in the daily quotations sheet of the Stock Exchange on the offer date, which must be a Business Day;
- (2) the average of the closing prices of the Shares as shown in the daily quotations sheets of the Stock Exchange for the five (5) consecutive days on which the Shares are traded on the Stock Exchange immediately preceding the offer date; and
- (3) the nominal value of the Share on the offer date.

Where a relevant Option is to be granted under the Share Option Scheme, for the purposes of the paragraph (1) and paragraph (2) above, the date of the Board meeting at which the grant was proposed shall be taken to be the offer date for such relevant Option, and the provisions as set above shall apply *mutatis mutandis*.

7. MAXIMUM NUMBER OF SHARES AVAILABLE FOR ISSUE

The Scheme Mandate Limit

- (1) The total number of Shares which may be issued in respect of all Options which may be granted at any time under the Share Option Scheme together with options and awards which may be granted under any other schemes of the Company shall not exceed such number of Shares as equals 10% of the Shares in issue as at the Adoption Date (the “**Scheme Mandate Limit**”). Options lapsed in accordance with the terms of the Share Option Scheme will not be regarded as utilised for the purpose of calculating the Scheme Mandate Limit.

Refreshment

- (2) (a) the Company may seek approval of the Shareholders in a general meeting of the Company to refresh the Scheme Mandate Limit under the Share Option Scheme on or after the third anniversary of the date of the Shareholders’ approval for the last refreshment or the Adoption Date. The total number of Shares which may be issued upon exercise of all (i) the Options under the Share Option Scheme and (ii) the options and awards to be granted under any other schemes of the Company as “refreshed” must not exceed 10% of the Shares in issue as at the

date of approval of the refreshment. For the purpose of seeking approval of the Shareholders under this paragraph (2), the Company must send a circular to the Shareholders containing the information required under the GEM Listing Rules; and

- (b) any refreshment within any three-year period shall be subject to independent Shareholders' approval pursuant to Rule 23.03C(1)(b) of the GEM Listing Rules.

Grant in excess of the Scheme Mandate Limit

- (3) The Company may seek separate approval of the Shareholders in a general meeting of the Company for granting Options exceeding the Scheme Mandate Limit provided that the Options in excess of the Scheme Mandate Limit are granted only to Eligible Participants specifically identified by the Company before such approval is sought. For the purpose of seeking approval of the Shareholders under this paragraph (3), the Company must send a circular to the Shareholders containing a generic description of the specified Eligible Participants who may be granted such Options (including their names), the number and terms of the Options to be granted, the purpose of granting Options to the specified Eligible Participants with an explanation as to how the terms of the Options serve such purpose, and such other information as required under the GEM Listing Rules. The number and terms (including the Subscription Price) of Options to be granted to such Eligible Participant must be fixed before Shareholders' approval and the date of Board meeting for proposing such grant should be taken as the date of grant for the purpose of calculating the Subscription Price.

8. GRANT OF OPTIONS TO A DIRECTOR, CHIEF EXECUTIVE OR SUBSTANTIAL SHAREHOLDER OF THE COMPANY OR ANY OF THEIR ASSOCIATES

- (1) Any grant of Options to a Director, a chief executive of the Company or substantial Shareholder (as defined under the GEM Listing Rules), or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who or whose associate is the proposed Grantee of an Option).
- (2) (a) Where any grant of an Option to an independent non-executive Director or a substantial shareholder (as defined in the GEM Listing Rules), or any of their respective associates, would result in the Shares issued and to be issued in respect of all options and awards granted (excluding any options and awards lapsed in accordance with the terms of the relevant schemes) to such person in the twelve (12)-month period up to and including the date of such grant representing in aggregate over 0.1% of the Shares in issue, such grant of Option must be approved by the Shareholders in a general meeting of the Company.

- (b) The Company must send a circular to the Shareholders. The circular must contain the following information:
 - (i) details of the number and terms of the Options to be granted to each selected Eligible Participant, which must be fixed before the Shareholders' meeting. In respect of any Options to be granted, the date of the Board meeting for proposing such further grant is to be taken as the date of grant for the purpose of calculating the exercise price of such Options;
 - (ii) the views of the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options) as to whether the terms of the grant are fair and reasonable and whether such grant is in the interests of the Company and the Shareholders as a whole, and their recommendation to the independent Shareholders as to voting;
 - (iii) the information required under Rule 23.02(2)(c); and
 - (iv) the information required under Rule 2.28 of the GEM Listing Rules.
 - (c) The Grantee, his associates and all the core connected persons must abstain from voting in favour of the proposed grant at such general meeting. Parties that are required to abstain from voting in favour of the proposed grant at the general meeting of the Company pursuant to Rule 23.04(4) of the GEM Listing Rules may vote against the resolution at the general meeting of the Company, provided that their intention to do so has been stated in the relevant circular to the Shareholders.
 - (d) Any vote taken at the general meeting of the Company to approve the grant of such Option must be taken on a poll and comply with the requirements under the GEM Listing Rules.
- (3) Any change in the terms of options (including an Option) or awards granted to an Eligible Participant who is a director, chief executive or substantial shareholder (as defined in the GEM Listing Rules) of the Company, or any of their respective associates must be approved by the Shareholders in the manner as set out in Rule 23.04(4) of the GEM Listing Rules if the initial grant of the options requires such approval (except where the changes take effect automatically under the existing terms of the Share Option Scheme).

9. MAXIMUM ENTITLEMENT OF EACH ELIGIBLE PARTICIPANT

Where any grant of an Option to an Eligible Participant would result in the Shares issued and to be issued in respect of all options and awards granted to such Eligible Participant (excluding any options and awards lapsed in accordance with the terms of the relevant schemes) in the twelve (12)-month period up to and including the date of such grant representing in aggregate over 1% of the Shares in issue, such grant must be separately approved by the Shareholders in a general meeting of the Company with such Eligible Participant and the person's close associates (or associates if the Eligible Participant is a connected person) abstaining from voting.

The Company must send a circular to the Shareholders and the circular must disclose the identity of the Eligible Participant, the number and terms of the Options to be granted (and Options previously granted to such Eligible Participant during the twelve (12)-month period), the purpose of granting Options to the Eligible Participant, an explanation as to how the terms of the Options serve such purpose and such information as may be required by the Stock Exchange from time to time. The number and terms (including the subscription price) of the Option to be granted to such Eligible Participant must be fixed before the general meeting of the Company, and the date of the meeting of the Board for proposing such grant should be taken as the offer date for the purpose of calculating the subscription price.

10. TIME OF EXERCISE OF OPTIONS

Subject to the terms of the Share Option Scheme, an Option may be exercised in whole or in part at any time during the Option Period, provided that such period shall not go beyond the day immediately prior to the tenth anniversary of the offer date with respect of the relevant Option.

The Board may at its discretion specify any condition in the offer letter at the grant of the relevant Option which must be satisfied before an Option may be exercised. The Directors consider that it is not practicable to specify a generic set of conditions, as each Eligible Participant will play different roles and contribute in different ways to the Group. The Directors consider it more beneficial to the Company to retain the flexibility to determine when and to what extent such conditions are appropriate. Save as determined by the Board and provided in the offer of the grant of the relevant Option, there is no performance target which must be achieved before an Option can be exercised under the terms of the Share Option Scheme nor any clawback mechanism for the Company to recover or withhold any Options granted to any Eligible Participant.

11. RESTRICTIONS ON THE TIME OF GRANT OF OPTIONS

Grant of Options may not be made:

- (1) after inside information (having the meaning defined in the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong) has come to the knowledge of the Company until (and including) the trading day after it has been announced pursuant to the requirements of the GEM Listing Rules; and
- (2) during the period commencing from one (1) month immediately preceding the earlier of:
 - (a) the date of the meeting of the Board (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for approving the Company's results for any year, half-year or quarter-year period or any other interim period (whether or not required under the GEM Listing Rules); and
 - (b) the deadline for the Company to publish its results for any year, half-year or quarter-year period under the GEM Listing Rules, or any other interim period (whether or not required under the GEM Listing Rules) and ending on the date of the results announcements (or during any period of delay in publishing results announcements).

12. RIGHTS ARE PERSONAL TO GRANTEES

An Option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest whatsoever in favour of any third party over or in relation to any Option or enter into any agreement so to do, except for the transmission of an Option on the death or incapacitation of the Grantee to this personal representative(s) according to the terms of the Share Option Scheme. Any breach of the foregoing by a Grantee shall entitle the Company to cancel any Option or any part thereof granted to such Grantee to the extent not already exercised.

13. RIGHTS ON CESSATION OF EMPLOYMENT OR DIRECTORSHIP

In the event that the Grantee ceases to be an Eligible Participant by reason of termination of his employment with any member of the Group on any one or more of the following grounds:

- (1) that the Grantee has been guilty of serious misconduct;
- (2) that the Grantee has been convicted of any criminal offence involving the person's integrity or honesty or in relation to any member of the Group (if so determined by the Board);

- (3) that the Grantee has become insolvent, bankrupt or has made arrangements or compositions with the Grantee's creditors generally; or
- (4) on any other ground as determined by the Board that would warrant the termination of the Grantee's employment at common law or pursuant to any applicable laws or under the Grantee's service contract with any member of the Group,

before exercising the Option in full, the Grantee's Option (to the extent not already exercised) shall lapse and shall not be exercisable on the date of cessation, or such longer period as the Board may determine.

In the event that the Grantee, by reason of the Grantee's employment with any member of the Group, ceases to be an Eligible Participant by reason of retirement as an employee in accordance with the Grantee's contract of employment (all evidenced to the satisfaction of the Board), or the termination of the Grantee's employment with the Company provided that none of the events which would be a ground for termination of the Grantee's employment or directorship set out in the paragraph above arises, before exercising the Option in full, the Grantee may exercise the Option (to the extent not already exercised) in whole or in part within ninety (90) days following the date of such cessation, or such longer period as the Board may determine and such Option to the extent not so exercised shall lapse and determine at the end of the abovementioned period.

14. RIGHTS ON DEATH

In the event that the Grantee ceases to be an Eligible Participant by reason of the person's death before exercising the Option in full (provided that none of the events which would be a ground for termination of the person's employment or directorship under section 13 arises), the Grantee's personal representative may exercise the Option (to the extent not already exercised) in whole or in part in within ninety (90) days following the date of death, or such longer period as the Board may determine and such Option to the extent not so exercised shall lapse and determine at the end of the abovementioned period.

15. RIGHTS ON INJURY, DISABILITY, ILL-HEALTH

In the event that the Grantee, by reason of the Grantee's employment with any member of the Group, ceases to be an Eligible Participant by reason of injury, disability, ill-health before exercising the Option in full, the Grantee may exercise the Option (to the extent not already exercised) in whole or in part in accordance with the terms of the Share Option Scheme within ninety (90) days following the date of such cessation, or such longer period as the Board may determine and such Option to the extent not so exercised shall lapse and determine at the end of the abovementioned period.

16. RIGHTS ON CESSATION FOR OTHER REASONS

In the event that the Grantee ceases to be an Eligible Participant for any reason other than the reasons specified in section 13 to section 15 above, the Grantee's Option (to the extent not already exercised) shall lapse and shall not be exercisable on the date of cessation.

17. RIGHTS ON A GENERAL OFFER

If a general or partial offer, whether by way of take-over offer, share repurchase offer, or scheme of arrangement or otherwise in like manner is made to all the Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert (as defined in the Takeovers Code) with the offeror, the Company shall use its reasonable endeavours to procure that such offer is extended to all the Grantees on the same terms, *mutatis mutandis*, and assuming that they will become, by the exercise in full of the Options granted to them, Shareholders.

If such general or partial offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to the Shareholders, the Grantee shall, notwithstanding any other terms on which his Option were granted, be entitled to exercise the Option (to the extent not already exercised) to its full extent or to the extent specified in the Grantee's notice to the Company at any time within thirty (30) days after the date on which such general or partial offer becomes or is declared unconditional, or within thirty (30) days after the record date for entitlements under the scheme of arrangement, as the case may be.

18. RIGHTS ON WINDING UP

In the event that a notice is given by the Company to the Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as it despatches such notice to each Shareholder give notice thereof to all the Grantees (containing an extract of the provisions of this paragraph) and thereupon, each Grantee or his personal representative shall be entitled to exercise all or any of his Options (to the extent not already exercised) by giving notice in writing to the Company in accordance with the terms of the Share Option Scheme.

Such notice shall be received by the Company no later than two (2) Business Days prior to the proposed general meeting, accompanied by a payment for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given.

Upon receipt, the Company shall as soon as possible and, in any event, no later than 3:00 p.m. on the Business Day (Hong Kong time) immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the Grantee or his personal representative credited as fully paid and register the Grantee or his personal representative (as the case may be) as holder thereof.

19. RIGHTS ON RECONSTRUCTION, COMPROMISE OR ARRANGEMENT

In the event that a compromise or arrangement between the Company and the Shareholders or its creditors being proposed for the purpose of or in connection with a scheme for the reconstruction or amalgamation of the Company, the Company shall give notice thereof to all the Grantees on the same date as it gives notice of the meeting to the Shareholders or its creditors to summon a meeting to consider such a scheme or arrangement and the Options (to the extent not already exercised) shall become exercisable in whole or in part on such date until the earlier of (i) sixty (60) days after that date or (ii) at any time not later than 12:00 noon two (2) Business Days (Hong Kong time) prior to the date of the meeting directed to be convened by the court for the purposes of considering such a scheme or arrangement (the “**Suspension Date**”).

Any Grantee or his personal representative may by notice in writing to the Company in accordance with the terms of the Share Option Scheme, accompanied by a payment of the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, exercise the relevant Options.

Upon receipt, the Company shall as soon as possible and, in any event, no later than 3:00 p.m. on the Business Day (Hong Kong time) immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the Grantee or his personal representative which falls to be issued on such exercise of the Option credited as fully paid and register the Grantee or his personal representative (as the case may be) as holder thereof.

With effect from the Suspension Date, the rights of all the Grantees to exercise their respective Options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all the Options shall, to the extent that they have not been exercised, lapse and shall be terminated.

20. CANCELLATION OF OPTIONS

Any Option granted may not be cancelled except with the written consent of the relevant Grantee and the prior approval of the Board. Where the Company cancels Options and makes a new grant to the same Grantee, such new grant may only be made under the Share Option Scheme with the available limit approved by the Shareholders as set out in section 7 above. The Options cancelled will be regarded as utilised for the purpose of calculating the Scheme Mandate Limit.

21. EFFECT OF ALTERATIONS TO SHARE CAPITAL

In the event of any alteration in the capital structure of the Company whilst any Option remains exercisable or the Share Option Scheme remains in effect, and such event arises from a capitalisation issue, rights issue, consolidation, sub-division or reduction of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction while

any Option remains exercisable), then, in any such case (other than in the case of capitalisation issue) the Company shall instruct the auditors or independent financial adviser to certify in writing:

- (1) the adjustment, if any, that ought in their opinion fairly and reasonably to be made either generally or as regards any particular Grantee, to;
- (2) the number or nominal amount of Shares to which the Share Option Scheme or any Options relates (insofar as it is/they are unexercised); and/or
- (3) the Subscription Prices of any unexercised Options, and an adjustment as so certified by the auditors or the independent financial adviser shall be made, provided that:
 - (a) any such adjustment shall be made on the basis that the aggregate Subscription Price payable by a Grantee on the full exercise of any Option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event;
 - (b) no such adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;
 - (c) any such adjustment shall be made on the basis that a Grantee shall be given the same proportion of the issued share capital of the Company for which such Grantee, rounded to the nearest whole Share, would have been entitled to subscribe had the person exercised all the Options held by him immediately prior to such event (as interpreted in accordance with FAQ No. 072-2020 or any further or updated guidance or interpretation of the GEM Listing Rules issued by the Stock Exchange from time to time);
 - (d) the issue of securities of the Company for cash or as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment; and
 - (e) in respect of any such adjustments, the auditors or the independent financial adviser must confirm to the Board in writing that the adjustments satisfy the requirements set out in the above, the requirements of Rule 23.03(13) of the GEM Listing Rules, FAQ 072-2020, any relevant provisions of the GEM Listing Rules and any guidance/interpretation of the GEM Listing Rules issued by the Stock Exchange and the note thereto from time to time.

Any dispute arising in connection with the number of Shares of an Option and any of the matters referred to this section shall be referred to the decision of the Company's auditors or the independent financial advisers of the Company who shall act as experts and not as arbitrators and whose decision, in the absence of manifest error, shall be final, conclusive and binding on all persons who may be affected thereby.

22. RANKING OF SHARES

Shares allotted and issued upon the exercise of an Option will be subject to all the provisions of the Bye-laws and will rank *pari passu* in all respects with the other existing Shares in issue on the date of allotment and issue of the relevant Shares.

23. DURATION OF THE SHARE OPTION SCHEME

The Share Option Scheme shall be valid and effective until the Termination Date, after which period no further Options will be granted but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any Options granted on or prior to the Termination Date or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

24. ALTERATIONS TO THE TERMS OF THE SHARE OPTION SCHEME

The Share Option Scheme may be altered in any respect by a resolution of the Board provided that:

- (1) any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any alteration in relation to any matter contained in Rule 23.03 of the GEM Listing Rules to the advantage of the Eligible Participants must be approved by the Shareholders in a general meeting of the Company;
- (2) any change to the terms of Options granted to a Grantee must be approved by the Board, the remuneration committee, the independent non-executive Directors and/or the shareholders of the Company (as the case may be) if the initial grant of the Options was approved by the Board, the remuneration committee, the independent non-executive Directors and/or the Shareholders (as the case may be) (except any changes which take effect automatically under the terms of the Share Option Scheme);
- (3) any change to the authority of the Directors or the administrator of the Share Option Scheme to alter the terms of the Share Option Scheme must be approved by the shareholders of the Company in a general meeting of the Company;
- (4) the amended terms of the Share Option Scheme or the Options shall remain in compliance with Chapter 23 of the GEM Listing Rules; and

- (5) no such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the Grantees as would be required of the Shareholders under the memorandum of association of the Company and the Bye-Laws being for a variation of the rights attached to Shares.

25. CONDITIONS OF THE SHARE OPTION SCHEME

The Share Option Scheme is conditional upon:

- (1) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal, in the Shares which may fall to be allotted and issued by the Company upon the exercise of the Options that may be granted under the Share Option Scheme; and
- (2) the passing of the necessary ordinary resolution(s) at a general meeting of the Company approving (a) the adoption of the Share Option Scheme; and (b) authorising the Board to grant Options to Eligible Participants and to allot and issue Shares pursuant to the exercise of any Options granted under the Share Option Scheme.

The aforesaid conditions have not been fulfilled yet.

26. LAPSE OF OPTIONS

An Option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (a) the expiry of the Option Period;
- (b) the date on which the Grantee commits a breach of section 12;
- (c) the expiry of the relevant period or the occurrence of the relevant event referred to in section 13 to section 19; and
- (d) the date of the commencement of the winding-up of the Company.

27. TERMINATION

The Company by an ordinary resolution in a general meeting of the Company may at any time terminate the operation of the Share Option Scheme. In such event, no further Options will be offered but in all other respects, the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme and the Options granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

28. MISCELLANEOUS

The terms of the Share Option Scheme (and any other schemes adopted by the Company from time to time) shall be in accordance with the requirements set out in Chapter 23 of the GEM Listing Rules.

The Company will comply with the relevant statutory requirements and the GEM Listing Rules from time to time on a continuing basis in respect of the Share Option Scheme and any other schemes of the Company.



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)

SUPPLEMENTAL NOTICE OF ANNUAL GENERAL MEETING

Reference is made to the notice of the annual general meeting (the “**Original AGM Notice**”) of China Hongguang Holdings Limited (the “**Company**”) dated 30 May 2023, which contains the resolutions to be proposed for shareholders’ approval at the annual general meeting (the “**AGM**”), which will be held at Jieyang Donghu Grand Hotel, No. 8, South of Wangjiang North Road, West of Donghu Road, Rongcheng District, Jieyang City, Guangdong Province, the PRC on Friday, 30 June 2023 at 3:00 p.m..

SUPPLEMENTAL NOTICE IS HEREBY GIVEN that the AGM, which will be held as originally scheduled, will consider the following resolutions in addition to the resolutions set out in the Original AGM Notice:

ORDINARY RESOLUTION

8. To consider and, if thought fit, pass (with or without amendments), the following resolution as an ordinary resolution:

“**THAT:**

- (a) the Share Option Scheme (a copy of which is tabled at the meeting and marked “A” and initialled by the chairman of the meeting for identification purpose) be and is hereby approved and adopted subject to and conditional upon the Listing Committee of the Stock Exchange granting the approval for the listing of, and the permission to deal in, the Shares to be issued pursuant to the exercise of the share options which may be granted under the Share Option Scheme; and
- (b) the Directors be and are hereby authorised to, subject to the applicable laws, rules and regulations:
 - (i) grant options to subscribe for the Shares in accordance with the rules of the Share Option Scheme;

SUPPLEMENTAL NOTICE OF ANNUAL GENERAL MEETING

- (ii) allot, issue, and deal with from time to time such number of Shares as may be required to be issued pursuant to the exercise of the Options under the Share Option Scheme;
- (iii) administer the Share Option Scheme; and
- (iv) do all such acts and to enter into all such transactions, arrangements and agreements as the Directors in their sole discretion consider to be necessary or expedient in order to give full effect to the Share Option Scheme.”

SPECIAL RESOLUTION

9. “**THAT** the amended and restated memorandum of association and articles of association of the Company (incorporating the proposed amendments of the existing memorandum of association and articles of association of the Company, the details of which are set out in Appendix I to the circular of the Company dated 5 June 2023) (“**Amended and Restated Memorandum and Articles of Association**”), a copy of which has been produced to this meeting and marked “B” and initialled by the chairman of the meeting for the purpose of identification, be and are hereby approved and adopted as the memorandum of association and articles of association of the Company respectively in substitution for, and to the exclusion of, the existing memorandum of association and articles of association of the Company with immediate effect after the close of this meeting, and any director of the Company or company secretary of the Company be and is hereby authorised to do all such acts and things and execute all such documents, deeds and make all such arrangements that he shall, in his absolute discretion, deem necessary or expedient to implement the adoption of the Amended and Restated Memorandum and Articles of Association.”

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

Hong Kong, 5 June 2023

Notes:

- (1) A supplemental form of proxy is enclosed with this notice. Whether or not you intend to attend the said meeting in person, you are requested to complete and return the supplemental form of proxy in accordance with the instructions printed thereon and return it to the Company’s Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong in any event not later than 24 hours before the time appointed for such meeting. Completion and return of the supplemental form of proxy will not preclude you from attending and voting in person at the said meeting or any adjournment thereof.
- (2) Please refer to the Original AGM Notice for details in respect of the eligibility for attending the AGM, proxies, registration procedures, closure of register of members and other relevant matters.
- (3) Please refer to the Original AGM Notice in respect of the timing and address for attending the AGM and other relevant matters.