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China Hongguang Holdings Limited

中國宏光控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8646)

ISSUE OF NEW SHARES UNDER GENERAL MANDATE

To support the business development of the Company, the Company entered into the Share Subscription Agreement with the Subscribers on 20 June 2023. The entering into of the Share Subscription Agreement will allow the Company to further improve its capital structure and strengthen the financial position of the Group.

The Company will allot and issue, and the Subscribers will subscribe for, an aggregate of 59,990,000 Subscription Shares at the Subscription Price. The Subscription Shares represent (i) approximately 15.04% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 13.07% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. The aggregate nominal value of the Subscription Shares is HK\$599,900.

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

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

On 20 June 2023, the Company entered into the Share Subscription Agreement with the Subscribers, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscribers have conditionally agreed to subscribe for, 59,990,000 Subscription Shares on the terms of the Share Subscription Agreement.

PRINCIPAL TERMS OF THE SHARE SUBSCRIPTION AGREEMENT

Date:	20 June 2023
Parties:	(i) The Company, as issuer; and (ii) The Subscribers, as subscribers
Subscription Shares:	59,990,000 Subscription Shares
Subscription Price:	HK\$0.194 per Subscription Share

Subscription Shares

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

- (a) the Subscription Shares represent approximately 15.04% of the existing issued share capital of the Company as at the date of this announcement.
- (b) the Subscription Shares represent approximately 13.07% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

Subscription Price

The Subscription Price of HK\$0.194 per Subscription Share represents:

- (a) a discount of approximately 5.83% to the closing price of HK\$0.206 per Share as quoted on the Stock Exchange on the date of the Share Subscription Agreement;
- (b) a discount of approximately 10.20% to the average closing price of approximately HK\$0.216 per Share as quoted on the Stock Exchange for the last five (5) trading days up to and including the Last Trading Day;
- (c) a discount of approximately 10.60% to the average closing price of approximately HK\$0.217 per Share as quoted on the Stock Exchange for the last ten (10) trading days up to and including the Last Trading Day; and
- (d) a discount of approximately 14.91% to the average closing price of approximately HK\$0.228 per Share as quoted on the Stock Exchange for the last thirty (30) trading days up to and including the Last Trading Day.

The Subscription Price was determined after arm's length negotiation between the Company and the Subscribers after taking into account the prevailing market price of the Shares and the trading volume of the Shares. The Directors are of the view that the terms of the Share Subscription Agreement (including the Subscription Price) are fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

The Subscription Shares have an aggregate nominal value of HK\$599,900. The net proceeds from the Share Subscription, after deduction of relevant costs and expenses, is estimated to be approximately HK\$11,558,060. The net Subscription Price per Subscription Share, after deduction of relevant costs and expenses, is estimated to be approximately HK\$0.193 per Subscription Share.

The Subscription Price shall be payable by the Subscribers in cash upon Closing.

Ranking

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

Conditions Precedent under the Share Subscription Agreement

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

- (a) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Subscription Shares and such approval not having been withdrawn or revoked;
- (b) the current listing of the Shares on the Stock Exchange not having been cancelled or withdrawn;
- (c) each of the warranties included in the Share Subscription Agreement given by the Company remaining true and accurate in all respects and not misleading in any respect as at Closing;
- (d) the Company not having materially breached or failed to perform in any material respect its other obligations or undertakings under the Share Subscription Agreement prior to Closing;
- (e) all consents, approvals, permits, authorizations or clearances (as the case may be) that the Company reasonably considers necessary pursuant to applicable laws, regulations or rules (including but not limited to the GEM Listing Rules) for its execution, implementation and completion of the Share Subscription Agreement having been obtained, and all such consents, approvals, permits, authorisations and clearances not having been revoked or withdrawn at any time before Closing;

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

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

Closing

Subject to the Conditions Precedent being satisfied or waived (if applicable) and the relevant terms under the Share Subscription Agreement, Closing shall occur on or before 29 June 2023 on which the last of the Conditions Precedent is satisfied or waived (if applicable) via exchange of documents and signatures, or at such other date, time and venue as the parties may agree in writing (the “**Closing Date**”).

General Mandate

The Subscription Shares will be issued and allotted under the General Mandate. The General Mandate entitles the Directors to issue, allot and deal with up to 60,000,000 Shares, representing 20% of the issued share capital of the Company as at the date of the AGM. Since the date of the AGM and up to and including the date of this announcement, no Share has been allotted and issued pursuant to the General Mandate. Accordingly, the General Mandate is sufficient for the allotment and issue of the Subscription Shares and the allotment and issue of the Subscription Shares is not subject to the Shareholders’ approval.

Listing Application

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

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

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

	As at the date of this announcement		After the Closing Date and the allotment and issue of Subscription Shares	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Ming Liang Global	249,750,000	62.59	249,750,000	54.41
Orient Success Ventures Limited	49,500,000	12.40	49,500,000	10.78
The Subscribers	–	–	59,990,000	13.07
Public Shareholders	99,750,000	25.00	99,750,000	21.73
Total	<u>399,000,000</u>	<u>100.00</u>	<u>458,990,000</u>	<u>100.00</u>

REASONS FOR AND BENEFITS OF THE ISSUE OF SUBSCRIPTION SHARES

To support the business development of the Company, the Subscribers entered into the Share Subscription Agreement with the Company. The entering into of the Share Subscription Agreement will allow the Company to further improve its capital structure and strengthen the financial position of the Group.

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

USE OF PROCEEDS

The aggregate gross proceeds of the Share Subscription will be approximately HK\$11,638,060. The aggregate net proceeds of the Share Subscription, after the deduction of related fees and expenses, will be approximately HK\$11,558,060.

The Company intends to apply the net proceeds from the Share Subscription (a) as to 50% for repayment of borrowings; and (b) as to 50% for the Group's general working capital.

The Board is also of the view that the terms of the Share Subscription Agreement (including the Subscription Price) are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

EQUITY FUND-RAISING OF THE COMPANY DURING THE PAST TWELVE MONTHS

Date of announcement	Fund-raising activity	Net proceeds to be raised (approximately)	Proposed use of net proceeds	Actual use of net proceeds
31 August 2022	Subscription of 99,000,000 new Shares by Ming Liang Global Limited under specific mandate	HK\$39,250,000	(a) 60% for the maintenance and operation of the existing business (including purchase of raw materials, upgrading and purchase of production equipment to enhance efficiency and quality, and repayment of borrowings); (b) as to 30% for potential acquisitions and development of new business; and (c) as to 10% for the Group's general working capital.	Used as intended

Save for the fund-raising activity disclosed above, the Company had not conducted any fund-raising activities in the past twelve months immediately preceding the date of this announcement.

INFORMATION OF THE COMPANY

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

INFORMATION OF THE SUBSCRIBERS

The Subscribers are third parties independent of the Company and not connected with the Company and its connected persons.

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

DEFINITIONS

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

“AGM”	the annual general meeting of the Company held on 30 June 2022
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of directors of the Company
“Business Day”	a day (other than a Saturday or Sunday or days on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks in Hong Kong are open for general banking business
“Closing”	the completion of the Share Subscription
“Company”	China Hongguang Holdings Limited, a limited company incorporated in the Cayman Islands, and the issued Shares of which are listed on the GEM Board of the Stock Exchange (Stock Code: 8646)
“Conditions Precedent”	the conditions precedent set out under the paragraph headed “Conditions Precedent under the Share Subscription Agreement”
“Director(s)”	member(s) of the Board of the Company
“GEM”	the GEM of the Stock Exchange

“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“General Mandate”	the mandate granted to the Directors by the Shareholders at the AGM to issue, allot and deal with up to 20% of the then issued share capital of the Company as at the date of the AGM
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Last Trading Day”	19 June 2023, being the last trading day prior to the signing of the Share Subscription Agreement, which took place after trading hours
“Material Adverse Effect”	any material adverse effect on the business, assets and liabilities, condition (financial or otherwise), business operations, results of operations, or general affairs of the Company or the Group taken as a whole
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
“Share(s)”	ordinary share of HK\$0.01 each in the share capital of the Company
“Share Subscription”	the subscription and issue of the Subscription Shares pursuant to the Share Subscription Agreement
“Share Subscription Agreement”	the share subscription agreement dated 20 June 2023 entered into between the Company as the issuer and the Subscribers in relation to the subscription of 59,990,000 Subscription Shares at the Subscription Price
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber(s)”	a total of 9 individual subscribers under the Share Subscription Agreement
“Subscription Price”	HK\$0.194 per Subscription Share

“Subscription Shares”	an aggregate of 59,990,000 new Shares to be issued and allotted by the Company to the Subscribers pursuant to the terms and conditions of the Share Subscription Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

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

Hong Kong, 20 June 2023

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

*This announcement, for which the directors of the Company (the “**Directors**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “**GEM**”) of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this announcement misleading.*

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