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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)

DISCLOSEABLE TRANSACTION CAPITAL INJECTION AND SHARE EXPANSION AGREEMENT

On 29 December 2023, Hongguang Glass, an indirect wholly-owned subsidiary of the Company, entered into the Capital Injection and Share Expansion Agreement with the Xuanyu Haocheng Existing Shareholders. Pursuant to the Agreement, Hongguang Glass will acquire 5% equity interest in Xuanyu Haocheng by making a contribution in kind.

Since the highest applicable ratio (as defined in the GEM Listing Rules) in relation to the Capital Injection and Share Expansion Agreement exceeds 5% but is less than 25%, according to Chapter 19 of the GEM Listing Rules, the entering into of the Capital Injection and Share Expansion Agreement constitutes a discloseable transaction of the Company and is subject to notification and announcement requirements.

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PRINCIPAL TERMS OF THE AGREEMENT

Date: 29 December 2023

Parties: (i) Hongguang Glass; and
(ii) Xuanyu Haocheng Existing Shareholders

To the best of the knowledge, information and belief of the Directors of the Company having made all reasonable enquiry, the Xuanyu Haocheng Existing Shareholders are third parties independent of the Company and connected persons of the Company.

Subject Matter

Xuanyu Haocheng is a diversified technology enterprise headquartered in Nanjing, the PRC, with a distillery in Guizhou Province, the PRC. Immediately before the Capital Injection, Xuanyu Haocheng has a registered capital of RMB10,000,000. 55% of its shares is owned by Mr. Zhu Guohua and 45% of its shares is owned by Ms. Shi Xiwen.

With Hongguang Glass's investment in Xuanyu Haocheng, the parties agreed that the registered capital of Xuanyu Haocheng shall be enlarged from RMB10,000,000 to RMB10,526,316. The shareholding after the Capital Injection is as follows:

Name of Shareholder	Amount of registered capital contributed RMB	Shareholding %
Mr. Zhu Guohua	5,500,000	52.25
Ms. Shi Xiwen	4,500,000	42.75
Hongguang Glass	526,316	5

The shares to be allotted by Xuanyu Haocheng to Hongguang Glass shall rank *pari passu* with all other issued shares of Xuanyu Haocheng. Upon the completion of the Capital Injection, Hongguang Glass will become a shareholder of Xuanyu Haocheng, holding 5% of its equity interest.

Consideration

Hongguang Glass shall make a contribution in kind to Xuanyu Haocheng with a batch of glass in stock which is currently kept at the warehouse of Hongguang Glass. According to the valuation report prepared by an independent professional valuer, the appraised value of such glass in stock as at 29 December 2023 is RMB25,000,000.

The consideration of the Capital Injection is determined after arm's length negotiations by the parties, with reference to the audited net asset value of Xuanyu Haocheng amounting to RMB473,002,502.63 as at 30 June 2023. The amount of consideration represents approximately 5% of the net asset value of Xuanyu Haocheng proportionally enlarged by the Capital Injection.

Completion

Hongguang Glass shall let Xuanyu Haocheng collect the glass in stock at the agreed location on or before 31 December 2023, and the Xuanyu Haocheng Existing Shareholders shall complete all industrial and commercial change registration with the relevant government authorities within 30 days afterwards, so as to recognize Hongguang Glass as a shareholder of Xuanyu Haocheng.

INFORMATION OF XUANYU HAOCHENG

The table below sets out the net profit before tax and net profit after tax of Xuanyu Haocheng for the two financial years ended 31 December 2021 and 2022:

	For the year ended 31 December 2022 RMB	For the year ended 31 December 2021 RMB
Net profit before tax	67,755,171.77	51,758,139.13
Net profit after tax	50,816,378.83	38,818,604.35

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Board considers that the entering into of the Agreement by Hongguang Glass will be beneficial to the Group as this is a good opportunity for the Group to diversify its business and income streams. Given that Xuanyu Haocheng operates a distillery and requires glass for packaging its wine products, the investment through the Capital Injection would represent the Group's development in the consumer glass products market, which will bring synergies to the Group's operations. Considering the profitability of Xuanyu Haocheng in recent years, it is also believed that the investment will ultimately enhance the financial performance and profitability of the Group.

Based on the above, the Directors are of the view that the terms of the Agreement (including the consideration) are fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

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 HONGGUANG GLASS

Hongguang Glass is mainly engaged in the manufacturing and sales of architectural glass products.

INFORMATION OF THE XUANYU HAOCHENG EXISTING SHAREHOLDERS

The Xuanyu Haocheng Existing Shareholders are merchants who are independent of the Company and connected persons of the Company.

IMPLICATIONS UNDER THE GEM LISTING RULES

Since the highest applicable ratio (as defined in the GEM Listing Rules) in relation to the Capital Injection and Share Expansion Agreement exceeds 5% but is less than 25%, according to Chapter 19 of the GEM Listing Rules, the entering into of the Capital Injection and Share Expansion Agreement constitutes a discloseable transaction of the Company and is subject to notification and announcement requirements.

DEFINITIONS

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

“Board”	the board of directors of the Company
“Capital Injection”	Hongguang Glass’s capital contribution to Xuanyu Haocheng under the Agreement
“Capital Injection and Share Expansion Agreement” or “Agreement”	the capital injection and share expansion agreement entered into between Hongguang Glass and Xuanyu Haocheng Existing Shareholders on 29 December 2023
“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
“GEM”	the GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hongguang Glass”	Jieyang Hongguang Coated Glass Co., Ltd. (揭陽市宏光鍍膜玻璃有限公司), a company incorporated in the PRC
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC

“Share(s)”	ordinary share of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xuanyu Haocheng”	Jiangsu Xuanyu Haocheng Information Technology Co. Limited (江蘇軒宇豪成信息科技有限公司), a company incorporated in the PRC
“Xuanyu Haocheng Existing Shareholders”	Mr. Zhu Guohua and Ms. Shi Xiwen
“%”	per cent

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

Hong Kong, 29 December 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.