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## **HONGGUANG LIGHTING HOLDINGS COMPANY LIMITED**

**宏光照明控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code on GEM: 8343)**

**(Stock code on Main Board: 6908)**

### **TRANSFER OF LISTING FROM GEM TO THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED**

**Joint sponsors**



#### **TRANSFER OF LISTING OF THE SHARES FROM GEM TO THE MAIN BOARD**

Reference is made to the announcement of the Company dated 6 May 2019 in relation to the formal application submitted to the Stock Exchange for the Transfer of Listing.

On 6 May 2019, a formal application was made by the Company to the Stock Exchange for the Transfer of Listing. The Company has applied for the listing of, and permission to deal in, (i) all the Shares in issue; and (ii) the new Shares which may fall to be issued upon the exercise of the share options which may be granted under the Share Option Scheme, on the Main Board by way of transfer of listing from GEM to the Main Board. Lego Corporate Finance and Octal Capital have been appointed as the joint sponsors by the Company to advise on the Transfer of Listing.

The Board is pleased to announce that the approval-in-principle for the Transfer of Listing has been granted by the Stock Exchange on 1 November 2019. The last day of dealings in the Shares on GEM (stock code: 8343) will be 12 November 2019. Dealings in the Shares on the Main Board (stock code: 6908) will commence at 9:00 a.m. on 13 November 2019.

All pre-conditions for the Transfer of Listing have been fulfilled as at the date of this announcement.

The Transfer of Listing will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for trading, settlement and registration purposes, and will not involve any transfer or exchange of the existing share certificates. No change will be made to the English and Chinese stock short names of the Company, the existing share certificates, the board lot size, the trading currency of the Shares and the share registrars and transfer offices of the Company following the Transfer of Listing.

#### **SHARE PRICE VOLATILITY**

The price of the Shares has been volatile since listing of the Shares on GEM by way of placing on 30 December 2016. The placing price per Share was HK\$0.63. The highest and lowest prices at which the Shares have been traded on GEM since 30 December 2016 up to the Latest Practicable Date were HK\$1.16 (i.e. on 23 January 2018) and HK\$0.60 (i.e. on 11 February 2019, 12 February 2019 and 20 February 2019), respectively. During the aforesaid period, the price per Share had risen to a maximum of approximately 84.1% (by comparing the placing price and the highest price) and decreased to a minimum of approximately 4.8% (by comparing the placing price and the lowest price). The price of the Shares may continue to be volatile upon listing on the Main Board.

**Shareholders of the Company and potential investors are advised to exercise caution when dealing in the Shares.**

#### **TRANSFER OF LISTING OF THE SHARES FROM GEM TO THE MAIN BOARD**

Reference is made to the announcement of the Company dated 6 May 2019 in relation to the formal application submitted to the Stock Exchange for the Transfer of Listing.

On 6 May 2019, a formal application was made by the Company to the Stock Exchange for the Transfer of Listing. The Company has applied for the listing of, and permission to deal in (i) all the Shares in issue; and (ii) the new Shares which may fall to be issued upon the exercise of the share options which may be granted under the Share Option Scheme, on the Main Board by way of transfer of listing from the GEM to the Main Board.

The Board is pleased to announce that the Stock Exchange granted its approval-in-principle on 1 November 2019 for the Shares to be listed on the Main Board and delisted from GEM. Dealings in the Shares on the Main Board (stock code: 6908) will commence at 9:00 a.m. on 13 November 2019.

All pre-conditions for the Transfer of Listing have been fulfilled as at the date of this announcement.

### **REASONS FOR THE TRANSFER OF LISTING**

The Company has been listed on GEM since 30 December 2016. The Group is principally engaged in the design, development, manufacturing and sales of LED beads and LED lighting products in the PRC.

GEM has been positioned and perceived as a market designed to accommodate small and mid-sized companies to which higher investment risk may be attached compared to companies listed on the Main Board. Based on the continuing growth and development of the Group, the Directors believe that the Transfer of Listing will enhance the profile of the Group and the attractiveness of the Shares to both institutional and retail investors and lead to greater trading liquidity of the Shares.

Furthermore, given that the entry requirements for issuers listing on the Main Board is generally higher than that of GEM, the Directors consider that the Main Board is perceived to enjoy a more advanced status by investors which could result in a larger investor base and promote the Company's corporate profile and recognition among public investors. Also, the Transfer of Listing will strengthen the Group's position in the industry and enhance the Group's competitive strengths in retaining and attracting professional staff and customers. Therefore, the Directors are of the view that the Transfer of Listing will be beneficial to the Group's future growth as well as business development which will create a long-term value to the Shareholders.

As at the date of this announcement, the Board has no immediate plans to change the nature of business of the Group following the Transfer of Listing. The Transfer of Listing will not involve any issue of new Shares.

## **DEALINGS IN THE SHARES ON THE MAIN BOARD**

The Shares have been accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from 30 December 2016, the date on which the Shares were first listed on GEM. Subject to the continued compliance with the stock admission requirements of HKSCC, the Shares will continue to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS once dealings in the Shares on the Main Board commence, and that all activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The last day of dealings in the Shares on GEM (stock code: 8343) will be 12 November 2019. Dealings in the Shares on the Main Board (stock code: 6908) will commence at 9:00 a.m. on 13 November 2019.

The Transfer of Listing will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for trading, settlement and registration purposes following the Transfer of Listing, and will not involve any transfer or exchange of the existing share certificates. Currently, the Shares are traded in board lots of 5,000 Shares each and are traded in Hong Kong dollars. The principal share registrar and transfer office of the Company is Estera Trust (Cayman) Limited and the Hong Kong branch share registrar and transfer office of the Company is Boardroom Share Registrars (HK) Limited. No change will be made to the English and Chinese stock short names of the Company, the existing share certificates, the board lot size, the trading currency of the Shares and the abovementioned share registrars and transfer offices of the Company following the Transfer of Listing.

## **SHARE OPTION SCHEME**

The Share Option Scheme was adopted by the Company on 2 December 2016. The Share Option Scheme will be valid and effective for a period of ten years commencing on 30 December 2016, after which no further options may be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects and options granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue. The Share Option Scheme will remain valid and effective following the Transfer of Listing and will be implemented in full compliance with the requirements under Chapter 17 of the Main Board Listing Rules.

Pursuant to the Share Option Scheme, the Company may grant options in respect of a total of 40,000,000 Shares, representing 10% of the number of issued Shares as at 30 December 2016, on which dealings in the Shares first commenced on GEM, during the remaining term of the Share Option Scheme. As at the date of this announcement, no

options have been granted by the Company under the Share Option Scheme. The listing of Shares which may fall to be issued upon exercise of the share options granted under the Share Option Scheme will also be transferred to the Main Board.

As at the date of this announcement, the Company does not have any options, warrants or similar rights or convertible equity securities in issue which will be transferred to the Main Board.

## **SHARE PRICE VOLATILITY**

The price of the Shares has been volatile since listing of the Company on GEM by way of placing on 30 December 2016. The placing price per Share was HK\$0.63. The highest and lowest prices at which the Shares have been traded on GEM since 30 December 2016 up to the Latest Practicable Date were HK\$1.16 (i.e. on 23 January 2018) and HK\$0.60 (i.e. on 11 February 2019, 12 February 2019 and 20 February 2019), respectively. During the aforesaid period, the price per Share had risen to a maximum of approximately 84.1% (by comparing the placing price and the highest price) and decreased to a minimum of approximately 4.8% (by comparing the placing price and the lowest price). The price of the Shares may continue to be volatile upon listing on the Main Board.

**Shareholders of the Company and potential investors are advised to exercise caution when dealing in the Shares.**

## **GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES**

Pursuant to Rule 9A.12 of the Main Board Listing Rules, the general mandates granted by the Shareholders at the annual general meeting of the Company held on 10 May 2019 to the Directors to allot and issue new Shares and repurchase Shares will continue to be valid and remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable law of the Cayman Islands to be held; and
- (c) the passing of an ordinary resolution of the Shareholders in a general meeting revoking or varying such mandate.

## SHAREHOLDING DISTRIBUTION

The Company has made an enquiry into its shareholding through an Independent Third Party. Based on the information received from the Independent Third Party on 14 October 2019 and to the best of the knowledge and belief of the Directors upon making all reasonable inquiries, as at 13 September 2019, being the latest practicable date in ascertaining the shareholdings in the Company, (i) the Controlling Shareholders held an aggregate of 300,000,000 Shares, representing 75.0% of the entire issued share capital of the Company; and (ii) the identifiable Shareholders (other than the Controlling Shareholders) held an aggregate of 90,050,000 Shares, representing approximately 22.5% of the entire issued share capital of the Company. A total of not less than 409 Shareholders (other than the Controlling Shareholders) were identified by the search conducted by the Independent Third Party. The below table sets out the number of identifiable Shareholders and the Shareholders' spread other than the Shares held by the Controlling Shareholders as at 13 September 2019:

	<b>Aggregate number of Shares held by the identifiable Shareholder(s) <i>(Note 1)</i></b>	<b>Approximate percentage of shareholding to the issued share capital of the Company</b>
Top identifiable Shareholder <i>(Note 2)</i>	3,535,000	0.9%
Top five identifiable Shareholders <i>(Note 3)</i>	13,975,000	3.5%
Top ten identifiable Shareholders <i>(Note 4)</i>	24,520,000	6.1%
Top 25 identifiable Shareholders <i>(Note 5)</i>	49,605,000	12.4%

*Notes:*

1. The shareholding search conducted on 13 September 2019 cannot identify Shareholders holding an aggregate of 9,950,000 Shares, representing approximately 2.5% of the entire issued share capital of the Company (the “**Unidentifiable Shares**”).
2. As there is no Shareholder, other than the Controlling Shareholders and (i) Ms. Zhuang Chan Ling (who is deemed to be interested in the Shares held by her spouse Mr. Zhao Yi Wen, under the SFO), (ii) Ms. Xie Wan (who is deemed to be interested in the Shares held by her spouse Mr. Lin Qi Jian, under the SFO), and (iii) Ms. Wong Ching Ming (who is deemed to be interested in the Shares held by her spouse Mr. Chiu Kwai San, under the SFO), holding 5% or more of the total issued share capital of the Company according to the Disclosure of Interests Online System on the website of the Stock Exchange, the Unidentifiable Shares (if any) could be partially or wholly held by the top identifiable Shareholder. Accordingly, the maximum aggregate number of Shares held by the top identifiable Shareholder would be no more than 13,485,000 Shares, representing no more than 3.4% of the entire issued share capital of the Company.

3. Assuming that the Unidentifiable Shares were all held by the top five identifiable Shareholders, the aggregate number of Shares held by them will be 23,925,000 Shares, representing approximately 6.0% of the entire issued share capital of the Company.
4. Assuming that the Unidentifiable Shares were all held by the top ten identifiable Shareholders, the aggregate number of Shares held by them will be 34,470,000 Shares, representing approximately 8.6% of the entire issued share capital of the Company.
5. Assuming that the Unidentifiable Shares were all held by the top 25 identifiable Shareholders, the aggregate number of Shares held by them will be 59,555,000 Shares, representing approximately 14.9% of the entire issued share capital of the Company.

## **PUBLIC FLOAT**

Notwithstanding the effect on shareholding distribution that may be brought by the Unidentifiable Shares, based on the shareholding search mentioned above, the Directors confirm that (i) at least 25% of the total issued share capital of the Company was held by the public (as defined in the Main Board Listing Rules) as at the date of this announcement; (ii) the Company has at least 300 Shareholders; and (iii) not more than 50% of the Shares held by the public are held by the three largest public Shareholders. Accordingly, the public float requirements have been maintained in compliance with Rule 8.08 of the Main Board Listing Rules.

## **PUBLICATION OF RESULTS**

The annual results of the Group for the year ended 31 December 2018 were published. Please refer to the annual results announcement and annual report of the Company for the year ended 31 December 2018 published on 20 March 2019 and 29 March 2019, respectively, for details.

The first quarterly results of the Group for the three months ended 31 March 2019 were published. Please refer to the first quarterly results announcement and first quarterly report of the Company for the three months ended 31 March 2019 published on 8 May 2019 for details.

The interim results of the Group for the six months ended 30 June 2019 were published. Please refer to the interim results announcement and interim report of the Company for the six months ended 30 June 2019 published on 8 August 2019 for details.

Please also refer to the supplemental announcement to the annual report and interim report dated 15 October 2019 for additional information.

Upon the Transfer of Listing, the Company will cease the practice of quarterly reporting of financial results and will follow the relevant requirements of the Main Board Listing Rules which include publishing its interim results and annual results within two months and three months from the end of the relevant period or financial year, respectively. The Board is of the view that the potential investors and Shareholders will continue to have access to relevant information of the Company following the reporting requirements under the Main Board Listing Rules.

## COMPLIANCE WITH THE GEM LISTING RULES

To the best knowledge of the Directors, the Group did not have any serious or potentially serious breach of or material non-compliance with the GEM Listing Rules since the GEM Listing Date and up to the Latest Practicable Date.

## SUMMARY OF THE GROUP'S BUSINESS

### Principal business

The Group is principally engaged in the design, development, manufacturing and sales of LED beads and LED lighting products in the PRC. There has been no change to the Group's principal business and the Controlling Shareholders from the GEM Listing Date up to the date of this announcement. During the Track Record Period, the Group generally recognised revenue from the sales of LED beads and LED lighting products upon delivery of the products to the customers with their acceptance of the products.

The following table sets out the revenue of the Group by product category during the three years ended 31 December 2018 and the six months ended 30 June 2019:

	Year ended 31 December						Six months ended 30 June			
	2016		2017		2018		2018		2019	
	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>
							(unaudited)	(unaudited)		
LED beads	137,163	96.6	115,945	99.3	198,392	97.4	61,388	98.4	85,904	95.8
LED lighting products	<u>4,827</u>	<u>3.4</u>	<u>792</u>	<u>0.7</u>	<u>5,355</u>	<u>2.6</u>	<u>969</u>	<u>1.6</u>	<u>3,758</u>	<u>4.2</u>
<b>Total</b>	<u>141,990</u>	<u>100.0</u>	<u>116,737</u>	<u>100.0</u>	<u>203,747</u>	<u>100.0</u>	<u>62,357</u>	<u>100.0</u>	<u>89,662</u>	<u>100.0</u>



## **Business model**

### *LED beads*

The Group mainly designs, develops, manufactures and sells LED beads. LED beads are used as core components of the small and medium-sized backlight LED products, which are in turn the light source for liquid crystal displays (LCDs) as LCDs do not produce light themselves but rely on the backlight products for illumination.

The sales of LED beads attributed to a significant proportion of the Group's revenue during the Track Record Period. For the Track Record Period, the sales of LED beads were approximately RMB137.2 million, RMB115.9 million, RMB198.4 million and RMB85.9 million respectively, representing approximately 96.6%, 99.3%, 97.4% and 95.8% of the total revenue of the Group during the corresponding periods, respectively.

The Group manufactures LED beads for its customers who are mainly manufacturers of backlight LED module/panel, manufacturers of LCD panels and other electronic products in the PRC for their own onward production of small and/or medium-sized backlight LED products, which can be used in the displays of smartphones and LCD panels of tablet computers, respectively. LED beads can also be applied in LED displays on other electronic devices, including home appliances, medical electronic devices and commercial devices such as surveillance systems and point-of-sales systems.

During the Track Record Period, all of the LED beads were developed and manufactured by the Group's wholly-owned subsidiary, Zhuhai HongGuang, of which the production plant is located at Zhuhai, Guangdong Province, the PRC.

During the Track Record Period, the Group manufactured both standard and slim LED beads, where standard LED beads are largely in the size of 3.8 mm × 0.6 mm × 1.0 mm and slim LED beads are largely in the size of 3.0 mm × 0.4 mm × 0.85 mm. According to the CIC Report, the differences between the technical requirements for manufacturing standard LED beads and slim LED beads are materially relating to the level of sophistication of the manufacturing machines. The CIC Report further provides that (i) manufacturing machines for production of slim LED beads are required to have higher mechanical precision, production efficiency and level of automation; (ii) the manufacturers of slim LED beads in the PRC generally started to upgrade their production lines particularly for manufacturing slim LED beads since 2017; and (iii) machineries for slim LED beads manufacturing generally have an overall 10%–15% higher production efficiency and the investment required for each new production line for slim LED beads is estimated to be approximately RMB2 million in 2018. CIC is of the view that such high upfront investment costs and long investment payback period are entry barriers which limit the number of new entrants in the slim LED beads manufacturing industry. Therefore only those LED beads manufacturers that have

sufficient capital and customer orders would aggressively invest in the machineries for slim LED beads manufacturing, which resulted in the fact that only limited manufacturers in the PRC market are qualified to mass-produce high quality slim LED beads.

Since the Group's GEM Listing and up to 30 June 2019, the Group has purchased 42 additional LED bead encapsulation machineries and equipments aiming at enhancing its production capacity and efficiency to meet the increasing market demand for slim LED beads. Moreover, subsequent to the Track Record Period and up to the Latest Practicable Date, the Group has acquired 40 additional LED bead encapsulation machineries and equipment. The Directors are of the view that, with the upgraded machineries, the production capacity of the Group, in particular for slim LED beads, was significantly improved to accommodate the increased demand from its customers.

### *LED lighting products*

During the Track Record Period, the Group developed and manufactured its LED lighting products on an ODM basis. The Group had developed five series of LED lighting products for sales during the Track Record Period, including downlight series, candle light series, oyster light series, bulb light series and flood light series.

For the three years ended 31 December 2018 and the six months ended 30 June 2019, the sales of the LED lighting products amounted to approximately RMB4.8 million, RMB0.8 million, RMB5.4 million and RMB3.8 million respectively, representing approximately 3.4%, 0.7%, 2.6% and 4.2% of the total revenue of the Group during the corresponding periods respectively.

## **CUSTOMERS AND SUPPLIERS**

### **Customers**

During the Track Record Period, the Group sold LED beads (including standard LED beads and slim LED beads) and LED lighting products directly to the customers predominantly located in the Guangdong Province, the PRC.

During the Track Record Period, the Group's customers of LED beads consisted of manufacturers of small and medium-sized backlight LED modules/panels and LCD panel modules, manufacturers of electronic products and a trading company in the PRC, which exported the LED beads to Hong Kong. During the Track Record Period, the Group's customers of LED lighting products mainly consisted of (i) two manufacturers of LED lighting products in the PRC; (ii) a trading company in the

PRC, which in turn exported the LED lighting products to Australia; and (iii) a company based in Australia which carries on business as an importer of LED lighting products. During the Track Record Period, the Group had over 60 customers. Set out below are the particulars of the five largest customers of the Group for the periods indicated:

#### Year ended 31 December 2016

Customer	Products sold	Amount of revenue (RMB million)	Approximate percentage of the Group's total revenue	Year in which business relationship began
A (Note 1)	Standard LED beads	44.1	31.0%	2012
B (Note 2)	Standard LED beads and LED lighting products	30.5	21.5%	2014
C (Note 3)	Standard LED beads	13.9	9.8%	2015
D (Note 4)	Standard LED beads	12.6	8.9%	2015
E (Note 5)	Standard LED beads	11.5	8.1%	2016
<b>Total</b>		<b>112.6</b>	<b>79.3%</b>	

#### Year ended 31 December 2017

Customer	Products sold	Amount of revenue (RMB million)	Approximate percentage of the Group's total revenue	Year in which business relationship began
B (Note 2)	Standard LED beads	43.9	37.6%	2014
A (Note 1)	Standard and slim LED beads	19.4	16.6%	2012
E (Note 5)	Standard LED beads	11.3	9.7%	2016
F (Note 6)	Standard LED beads	9.9	8.4%	2015
C (Note 3)	Standard LED beads	9.7	8.3%	2015
<b>Total</b>		<b>94.2</b>	<b>80.6%</b>	

## Year ended 31 December 2018

Customer	Products sold	Amount of revenue (RMB million)	Approximate percentage of the Group's total revenue	Year in which business relationship began
B (Note 2)	Standard and slim LED beads	43.7	21.4%	2014
E (Note 5)	Standard and slim LED beads	31.6	15.5%	2016
G (Note 7)	Standard and slim LED beads	29.2	14.3%	2018
A (Note 1)	Standard and slim LED beads	24.6	12.1%	2012
H (Note 8)	Standard and slim LED beads	<u>10.8</u>	<u>5.3%</u>	2018
<b>Total</b>		<b><u>139.9</u></b>	<b><u>68.6%</u></b>	

## Six months ended 30 June 2019

Customer	Products sold	Amount of revenue (RMB million) (unaudited)	Approximate percentage of the Group's total revenue	Year in which business relationship began
B (Note 2)	Standard and slim LED beads	25.9	28.9%	2014
G (Note 7)	Standard and slim LED beads	14.8	16.5%	2018
E (Note 5)	Standard and slim LED beads	13.7	15.3%	2016
A (Note 1)	Standard and slim LED beads	10.5	11.7%	2012
C (Note 3)	Standard and slim LED beads	<u>3.7</u>	<u>4.2%</u>	2015
<b>Total</b>		<b><u>68.6</u></b>	<b><u>76.6%</u></b>	

### Notes:

- Customer A is a limited liability company established in the PRC in 2012. Its business scope includes the manufacture and sales of backlights, remote controls, plastic products, chargers, lithium-ion batteries speakers, DVD, DVB and computer accessories, domestic trade and import and export of goods and technology. It has a registered capital of RMB3 million.
- Customer B is a limited liability company established in the PRC in 2007. Its business scope includes industrial business, domestic trade and import and export business. It has a registered capital of RMB2.2 million.

3. Customer C is a limited liability company established in the PRC in 2014. Its business scope includes the design, research and development, manufacture and sales of photoelectric intelligent products and photoelectric intelligent new materials, manufacture and sales of display products, LCDs, speakers, small electronic appliances, backlights, remote controls, wooden boxes, transformers, set-top boxes, speakers and chargers and import and export business. It has a registered capital of RMB1 million.
4. Customer D is a limited liability company established in the PRC in 1983 which is now listed on the Shenzhen Stock Exchange. Its business scope includes information technology services and consultation services, agency sales and procurement of display devices and related materials, equipment and property leasing, import and export business, design, manufacture and sales of display devices and related materials, equipment and products, providing related technology development, technical consultation, technical services and technology transfer of work and ordinary freight. It has a registered capital of approximately RMB2,048 million.
5. Customer E is a limited liability company established in the PRC in 2012. Its business scope includes the manufacture and sales of speakers, small appliances, mobile phone accessories, remote controls, wooden boxes, transformers, domestic trade, import and export of goods and technology and production and sales of battery. It has a registered capital of RMB5 million.
6. Customer F is a limited liability company established in the PRC in 2012. Its business scope includes the research and development, manufacture and sales of digital set-top boxes, colour satellite TV receivers, network players, digital TV sets, stereo TV sets and modules, digital surveillance systems, tablet computers, smart watches, smart aerial cameras, DVD players, DVDs, speakers and audio products, electronics and components, domestic trade and import and export of goods and technology. It has a registered capital of RMB3 million.
7. Customer G is a limited liability company established in the PRC in 2015. Its business scope includes the research and development and sales of digital set-top boxes, color satellite TV receivers, network players and digital TV sets, stereo TV sets and modules, digital surveillance systems, tablet computers, smart watches, smart aerial cameras, DVD players, security surveillance products, speakers and audio products, electronic products and components, domestic trade and import and export of goods and technology. It has a registered capital of RMB5 million.
8. Customer H comprises two companies which are both owned by a limited liability company established in the PRC. Both companies were established in the PRC in 2015. One of these two companies has a business scope which includes the development, manufacture and sales of smartphones, tablet computers, display products and other mobile phone accessories and has a registered capital of RMB30 million. The other one of the two companies has a business scope which includes the development, manufacture and sales of motors, speakers, microphones and other mobile phone accessories and has a registered capital of RMB10 million.

For the three years ended 31 December 2018 and the six months ended 30 June 2019, revenue from the five largest customers of the Group accounted for approximately 79.3%, 80.6%, 68.6% and 76.6% of the total revenue, respectively. In the corresponding periods, revenue attributable to the Group's largest customer accounted for approximately 31.0%, 37.6%, 21.4% and 28.9% of the total revenue, respectively. In view of the reliance on the Group's largest customer, the Directors will continue to closely monitor its customer portfolio to ensure that there would not be any over-reliance on a single customer. The sales and marketing team of the Group which consisted of 14 staff members as at the Latest Practicable Date, is tasked with bringing in new customers and expanding its customer base by exploring new sales channels of the products. During the year ended 31 December 2018 and the six months ended 30 June 2019, the Group was able to solicit a number of new customers to the client portfolio, of which three of these new customers were top ten customers which contributed over 20.0% in aggregate to the Group's total revenue in 2018 and four of these new customers in 2018 were top ten customers during the six months ended 30 June 2019 which contributed over 25.0% in aggregate to the Group's total revenue for the period. The revenue attributable to the Group's largest customer decreased from approximately 37.6% for the year ended 31 December 2017 to approximately 21.4% for the year ended 31 December 2018 and such ratio increased to approximately 28.9% for the six months ended 30 June 2019, mainly due to the relatively higher demand of slim LED beads from the Group's largest customer during the period. The Directors will continue to adopt the above measures in order to reduce the risk of any over-reliance on a single customer.

The five largest customers during the Track Record Period have been customers of the Group ranging from approximately one to seven years. The five largest customers include manufacturers of backlight LED module/panel, manufacturer of audio systems and trading company in respect of LED beads and LED lighting products. The Group granted its top five customers a credit period that ranged from 30 to 90 days during the Track Record Period, depending on various factors such as credit worthiness and transaction history of the particular customer.

The five largest customers during the Track Record Period are Independent Third Parties and to the best knowledge and belief of the Directors, none of the Directors, their close associates or any Shareholders (which to the knowledge of the Directors beneficially own more than 5% of the Shares) had any interests in any of the five largest customers of the Group during the Track Record Period. None of the customers were the Group's five largest suppliers during the Track Record Period.

## Suppliers

Production materials purchased and used by the Group mainly include LED chips, gold wires and brackets. The Group sources production materials generally from the suppliers located in the PRC. Set out below are the particulars of the five largest suppliers of the Group for the periods indicated:

### Year ended 31 December 2016

Supplier	Products purchased	Amount of purchase (RMB million)	Approximate percentage of the Group's total purchase	Year in which business relationship began
A (Note 1)	LED chips	56.7	53.9%	2015
B (Note 2)	LED chips	11.7	11.1%	2012
C (Note 3)	LED chips	11.5	10.9%	2012
D (Note 4)	LED chips	5.7	5.4%	2013
E (Note 5)	Brackets	4.7	4.5%	2016
<b>Total</b>		<b>90.3</b>	<b>85.8%</b>	

### Year ended 31 December 2017

Supplier	Products purchased	Amount of purchase (RMB million)	Approximate percentage of the Group's total purchase	Year in which business relationship began
A (Note 1)	LED chips	56.1	62.9%	2015
F (Note 6)	Gold wires	7.5	8.4%	2016
B (Note 2)	LED chips	6.8	7.6%	2012
E (Note 5)	Brackets	5.0	5.6%	2016
G (Note 7)	LED chips	4.3	4.8%	2017
<b>Total</b>		<b>79.7</b>	<b>89.3%</b>	

## Year ended 31 December 2018

Supplier	Products purchased	Amount of purchase (RMB million)	Approximate percentage of the Group's total purchase	Year in which business relationship began
A (Note 1)	LED chips	61.2	39.2%	2015
H (Note 8)	LED chips	31.0	19.8%	2013
F (Note 6)	Gold wires	30.8	19.7%	2016
J (Note 10)	LED chips	6.1	3.9%	2018
I (Note 9)	Brackets	5.8	3.7%	2012
<b>Total</b>		<b>134.9</b>	<b>86.3%</b>	

## Six months ended 30 June 2019

Supplier	Products purchased	Amount of purchase (RMB million) (unaudited)	Approximate percentage of the Group's total purchase	Year in which business relationship began
J (Note 10)	LED chips	19.8	27.5%	2018
A (Note 1)	LED chips	18.1	25.1%	2015
F (Note 6)	Gold wires	17.7	24.6%	2016
B (Note 2)	LED chips	3.5	4.8%	2012
I (Note 9)	Brackets	2.8	3.9%	2012
<b>Total</b>		<b>61.9</b>	<b>85.9%</b>	

### Notes:

- Supplier A is a limited liability company established in the PRC in 2010. Its business scope includes the wholesale of metal and metal ore, coal and coal-made products, non-metallic minerals and products, building materials, other chemical products, other mechanical equipment and electronic products, hardware, agricultural machinery, computers, software and auxiliary equipment and electric equipment, other wholesale business, and retail of hardware, ceramics and stone decoration materials, computers, software and auxiliary equipment and electric equipment. It has a registered capital of RMB7.77 million.
- Supplier B is a limited liability company established in the PRC in 2015. It is a subsidiary of a listed company on the Shanghai Stock Exchange operating in the business of researching, producing and selling of LED related products. Its business scope includes the wholesale of hazardous chemicals, metal and metal ore, other chemical products, stationery and other cultural



products, building materials, hardware products, electrical equipment, computers, software and auxiliary equipment, communication and broadcasting equipment and other mechanical equipment and electronic products, manufacture of electronic components, semiconductor discrete device, integrated circuit, optoelectronic devices and other electronic devices and other electronic equipment, engineering and technical research, experiment and development, retail of other electronic products and import and export of various commodities and technologies. It has a registered capital of RMB100 million.

3. Supplier C is a limited liability company established in the PRC in 2012. Its business scope includes the development and sales of electronic devices and components, LED lighting tubes, display screens and lighting products and the sale of hardware, kitchen supplies, plastic products, electronic materials, chemical raw materials and chemical products. It has a registered capital of RMB500,000.
4. Supplier D is a limited liability company established in the PRC in 2009. Its business scope includes the wholesale, import and export of electronic products and components, optoelectronic products, lamps and accessories, hardware products, plastic products, packaging materials and electronic components, computers, computer software, communication products and accessories, providing on-site maintenance of computers, communication products and equipment, business information consultation and commission agent. It has a registered capital of RMB500,000.
5. Supplier E is a limited liability company established in the PRC in 2012. Its business scope includes the manufacture, sales and installation of regulated power supply, UPS power supply, energy-saving power supply, lighting products, electronic accessories, lighting accessories, wind turbines, wind and solar power generation system, swamp generator sets, hydroelectric generator sets, high and low voltage distribution switchgear, lightning arresters, aluminum-ion batteries and battery accessories, energy saving services and import and export business. It has a registered capital of RMB420.6 million.
6. Supplier F is a limited liability company established in the PRC in 2016. Its business scope includes the technical development, production, procurement and sales of non-ferrous metal composite materials, new alloy materials as well as key alloy wire, silver wire, cooper wire etc., domestic trade, import and export business and industrial business. It has a registered capital of RMB50 million.
7. Supplier G is a limited liability company established in the PRC in 2010. It is a subsidiary of a household appliances and LED equipment manufacturing company listed on the Shenzhen Stock Exchange. Its business scope includes the development, production, wholesale and control of LED chips, light-emitting diodes, LED light source modules etc., research and development as well as production of software system and molds, provision of related technical consultation services and LED display leasing. It has a registered capital of RMB1,219.5 million.
8. Supplier H is a limited liability company established in the PRC in 2010. It is listed on the Shenzhen Stock Exchange. Its business scope includes the research and development, assembly, production and sales of lighting devices, display devices, photoelectric devices etc., export of self-manufactured products and import of production needed equipment, technology and raw auxiliary materials, installation, commissioning and maintenance of system engineering for ultra-high brightness LED application products and contract energy management. It has a registered capital of approximately RMB259.4 million.

9. Supplier I comprises two limited liability companies established in the PRC which are a branch and a subsidiary of an electronic parts and components (i.e. electronic connectors) manufacturing company listed on the Shenzhen Stock Exchange, respectively. The branch was established in 2006 and the subsidiary was established in 2015 with a registered capital of RMB600 million.
10. Supplier J comprises two companies which are owned by the same beneficial owner who is an individual. The two companies are both limited liability companies and were established in the PRC in 2012 and 2011 respectively. Each of its business scope includes the development and sales of optoelectronic products. Each of these two companies has a registered capital of RMB1 million.

For the three years ended 31 December 2018 and the six months ended 30 June 2019, purchases from the five largest suppliers of the Group accounted for approximately 85.8%, 89.3%, 86.3% and 85.9% of the total purchase, respectively. In the corresponding periods, purchases from the Group's largest supplier accounted for approximately 53.9%, 62.9%, 39.2% and 27.5% of the total purchase, respectively. In view of the substantial reliance on the Group's largest supplier, it is the policy of the Group to seek price quotations from suppliers and take into account the terms and offers from each of the suppliers each time before placing purchase order. The Group also regularly performs price comparison on major raw materials. Such practice allows the Group to enhance its bargaining power on price and to avoid over-reliance on a single supplier. The procurement department of the Group also regularly looks for new suitable suppliers to expand the list of approved suppliers. During the year ended 31 December 2018 and the six months ended 30 June 2019, the Group was able to place purchase orders with a number of new suppliers, three of which were top ten suppliers who accounted for approximately 7.8% in aggregate to the Group's total purchase amount for the year ended 31 December 2018 and three of which were top ten suppliers who accounted for approximately 32.1% in aggregate to the Group's total purchase amount for the six months ended 30 June 2019. The percentage of the Group's total purchase from the Group's largest supplier decreased from approximately 62.9% for the year ended 31 December 2017 to approximately 39.2% for the year ended 31 December 2018, and further to approximately 27.5% for the six months ended 30 June 2019. In particular, the Group's total purchase from Supplier J increased from approximately 3.9% for the year ended 31 December 2018 to approximately 27.5% for the six months ended 30 June 2019. Since the reliance on the Group's largest supplier during the six months ended 30 June 2019 was further reduced as compared with that during the three years ended 31 December 2018, the Directors consider that the above measures would be adequate to limit the risk of any over-reliance on a single supplier.

The five largest suppliers during the Track Record Period have been suppliers of the Group ranging from approximately one to seven years. The five largest suppliers include manufacturers of electronic chips and components, LED epitaxial wafers and

LED chips, wholesalers of electronic parts and LED components and LED lighting products. The Group was granted by its top five suppliers a credit period that ranged from 0 to 120 days during the Track Record Period.

The five largest suppliers during the Track Record Period are Independent Third Parties and to the best knowledge and belief of the Directors, none of the Directors, their respective associates or any Shareholders (which to the knowledge of the Directors beneficially own more than 5% of the Shares) had any interests in any of the five largest suppliers of the Group during the Track Record Period. None of the suppliers were the Group's five largest customers during the Track Record Period.

## AWARDS

Zhuhai HongGuang first received its recognition as a “New and High Technology Enterprise” from the Guangdong Provincial Department of Science and Technology\* (廣東省科學技術廳), Guangdong Provincial Department of Finance\* (廣東省財政廳), Guangdong Provincial State Administration of Taxation\* (廣東省國家稅務局) and Guangdong Provincial Tax Service\* (廣東省地方稅務局) in January 2017. Following such recognition, Zhuhai HongGuang received a government grant of approximately RMB2.0 million during the year ended 31 December 2017 and was entitled to a reduction of EIT rate from 25% to 15% from 1 January 2016 to 31 December 2018. Such recognition will expire in November 2019 and Zhuhai HongGuang has already filed its application to the Guangdong Province New and High Technology Enterprise Management and Certification Office (廣東高新技術企業管理認定辦公室) for the renewal of such recognition on 19 June 2019. The Directors expect that Zhuhai HongGuang will be able to renew the recognition as the “New and High Technology Enterprise” by the end of 2019.

According to the PRC laws and regulations, the relevant government authorities will assess an application for the recognition as a “New and High Technology Enterprise” in the following areas: (i) length of establishment; (ii) ownership of intellectual property for core technologies; (iii) whether the core technologies fall within the stipulated area under the “Hi-tech Sectors Mainly under the State Support (《國家重點支持的高新技術領域》)”; (iv) ratio of staff for research and development; (v) ratio of research and development expense incurred in the most recent three accounting years; (vi) proportion of revenue generated from hi-tech products and services; (vii) evaluation of innovation capability; and (viii) whether there are any material safety, quality or environmental non-compliances or incidents. Based on the abovementioned requirements for the recognition as a “New and High Technology Enterprise”, and the facts that (a) Zhuhai HongGuang was assessed against such requirements before it was awarded with the “New and High Technology Enterprise Certificate” in 2017; and (b) such requirements are closely related to the Company's ordinary and usual course of business, the Directors confirm, and the legal advisers to the Company as to PRC law concurs, that the recognition of the Company as a “New and High Technology Enterprise”, and thus, the government grants and tax reduction, shall have arisen from the Company's ordinary and usual course of business.

## **MATERIAL RISKS ASSOCIATED WITH THE GROUP'S BUSINESS**

### **Fluctuations in the price of production materials may affect cost of sales of the Group and adversely affect the business operations and profitability of the Group.**

The production of LED beads and LED lighting products, to a large extent, depends on a reliable supply of a wide variety of key production materials and supplies from the Group's suppliers in the PRC at competitive prices. For the three years ended 31 December 2018 and the six months ended 30 June 2019, the cost of production materials used amounted to approximately RMB100.2 million, RMB83.0 million, RMB145.8 million and RMB63.1 million, representing approximately 92.1%, 90.6%, 93.5% and 92.3% of the total cost of sales of the Group, respectively. The prices of the production materials generally follow their respective market price trends.

As the Group generally determines the selling prices of the products based on the historical costs of the production materials, the selling price of the Group's products may not timely reflect or respond to the increase in the price of the production materials. Furthermore, the Group has not engaged in any hedging activity nor entered into any future contract or price-lock arrangement with its suppliers to manage any possible price fluctuation of the production materials. If there is any price fluctuation of the production materials and the Group is not able to respond to it in a timely manner or pass the increase in price of production materials to the Group's customers, the Group's products may lose their competitiveness. The profitability, financial condition and results of operations of the Group may also be materially and adversely affected. On the other hand, the Group cannot assure that it will be able to effectively manage the risk of price fluctuations of the production materials at all times.

### **The Group's reliance on major customers and any loss of the Group's major customers or changes in their demands for the Group's products would have a material adverse effect on the business, results of operations, financial conditions and prospect of the Group.**

For the three years ended 31 December 2018 and the six months ended 30 June 2019, the Group's sales to its top five customers accounted for approximately 79.3%, 80.6%, 68.6% and 76.6% of the Group's total revenue in each of the respective periods. In the corresponding periods, sales to the largest customer accounted for approximately 31.0%, 37.6%, 21.4% and 28.9% of the Group's total revenue, respectively.

Furthermore, the Group does not maintain any long-term sales agreement with any of its customers for any minimum purchase amount during a fixed term, instead, the Group sells the products to its customers based on individual purchase orders. There is no assurance that the Group's major customers will continue their business relationship with the Group, or the revenue generated from dealings with them will be maintained or increased in the future. In particular, if there is any claim against the Group related

to the quality of the products from the Group's major customers, such claim would affect the relationship with the Group's major customers or substantially reduce their volume of purchase from the Group.

If there is a reduction or cessation of purchase orders from these customers for whatever reasons and the Group is unable to obtain suitable purchase orders of a comparable size and terms in substitution, the business, financial conditions and results of operation of the Group may be materially and adversely affected. Furthermore, any deterioration on their ability to purchase the Group's products and/or pay their trade receivables in a timely manner will also have a material adverse effect on the business, results of operations, financial conditions and prospect of the Group.

**The Group's reliance on the success of the downstream LED lighting industry and the Group's business is highly correlated to the performance of its customers' industries**

The Group's LED beads are mainly used for onward production of small or medium-sized backlight LED products, which have end-use applications such as displays in smartphones and LCD panels in tablet computers, etc. As such, the results of operations and financial performance of the Group are dependent upon the prospects of these downstream industries.

The business of the Group relies on the LED lighting industry and consumer electronics market as the Group's customers are generally manufacturers of small and medium-sized backlight LED module/panel generally for the displays in smartphones and LCD panels of tablet computers and manufacturers of other electronic products. The demand from the customers is therefore dependent on the demand and supply dynamics of the consumer electronics market and the LED lighting industry. As such, the demand for the Group's LED beads may fluctuate according to the cycles of the consumer electronics market and the LED lighting industry.

The demand for the Group's LED beads is also affected by the business performance of the customers and/or their ultimate retail customers, which is beyond control of the Group. The customers' business could underperform due to a number of factors, such as changes in their business strategies, failure to develop successful marketing strategies, changes in the market demand for their products and adverse market or economic conditions in the markets in which the customers operate. If the customers experience underperformance or are under financial difficulties, they could reduce their purchase from the Group, which could have a material and adverse impact on the business, results of operations, financial conditions and prospect of the Group.

**The Group recorded net operating cash outflow for the two years ended 31 December 2017 and the six months ended 30 June 2019 and may have difficulty meeting payment obligations if the Group continues to record net operating cash outflow in the future.**

For the two years ended 31 December 2017 and the six months ended 30 June 2019, the Group recorded net operating cash outflow in the amount of RMB3.8 million, RMB18.9 million and RMB5.5 million, respectively. Such net cash outflows were attributable to, among others, the decrease in trade and bills payables due to the settlement made to the suppliers of the Group for the procurement of raw materials for the production of LED beads; and/or the increase in trade and bills receivables due to the slower account settlement by the customers of the Group. The Group cannot assure that it will be able to match the timing and amounts of its cash inflows with the timing and amounts of its payment obligations and other cash outflows. As a result, there could be a period during which the Group experiences net cash outflow.

During the Track Record Period, the Group relied on a combination of cash generated from its operations and banking borrowings to meet its working capital and other liquidity requirements. Net operating cash outflow may require the Group to obtain sufficient external financing to meet its financing needs and obligations. If the Group is unable to do so, the Group will be in default of its payment obligations and may not be able to expand its business. Thus, the business, results of operations and financial condition of the Group may be materially adversely affected.

**The Group's quality control systems may not be maintained effectively and this would result in failure to conform with both international and domestic quality standards in relation to the Group's products.**

The quality of the Group's products is crucial to the success of the business of the Group. This depends significantly on the effectiveness of its quality control systems, which in turn, rely on a number of factors, including the design of the quality control systems, the quality control training programme, and the employees' awareness in adhering to the quality control policies and guidelines. Any significant failure or deterioration of the Group's quality control systems could result in the production of defective or substandard products, delay in delivery of its products, replacement of defective or substandard products and damage to the Group's reputation.

As a LED bead manufacturer, if the Group's LED beads do not meet the specifications and requirements agreed with or requested by the customers who are mainly backlight LED module/panel manufacturers and use the Group's LED beads for onward production of backlight LED products, or if any of the Group's products are defective, or if the Group's customers suffer losses as a result of product liability claims, the Group may be subject to product liability claims and litigations, claims for indemnity by its customers and other claims for compensation. The Group may also incur significant legal costs regardless of the outcome of any claim of alleged defect. Product failure or defects, and any complaints or negative publicity resulting therefrom, could result in decreased sales of products, or claims or litigation against the Group regarding the quality of the products. As a result, it may have a material adverse effect on the business, reputation, financial conditions and results of operations of the Group.

**Any failure to purchase production materials or to meet the customers' orders could materially and adversely affect the business operations and profitability of the Group.**

The Group purchases its production materials from external suppliers based on customers' confirmed purchase orders and the Group's policy is to maintain sufficient inventory level for production in the next 30 to 45 working days. For each of the three years ended 31 December 2018 and the six months ended 30 June 2019, the total purchase from the Group's top five suppliers amounted to approximately RMB90.3 million, RMB79.7 million, RMB134.9 million and RMB61.9 million, representing approximately 85.8%, 89.3%, 86.3% and 85.9% of the total cost of purchases for the corresponding periods, respectively. As such, the Group's reliance on the top five suppliers in supplying quality production materials to the Group has been high.

If any of the Group's major suppliers is not able to deliver raw materials to the Group according to its production schedule or in such volume as is required for production or the Group fails to purchase the production materials from other suppliers in a timely and cost-effective manner, the production process and the delivery of products required by the Group's customers could be delayed. As a result, the relationships with the Group's customers could be adversely affected, which may materially and adversely affect the business, financial conditions and results of operations of the Group.

**The Group is subject to risks in relation to changes in technology.**

The LED lighting industry in which the Group operates is characterised by rapid changes and advancements in technology. With technology advancement, the LED beads and LED lighting products the Group offers to the market may become obsolete. If the Group is not able to respond to the rapid changing trends in the LED lighting market and introduce new products on a timely basis, the Group's performance in the future would be adversely affected. In addition, new technological developments often bring price declines and decreasing profit margins for both LED beads and LED lighting products which risk driving the Group's results downwards.

**The Group may not be able to enjoy various benefits including preferential income tax treatment and government grants associated with the accreditation as a “New and High Technology Enterprise”**

Zhuhai HongGuang first received its recognition as a “New and High Technology Enterprise” in January 2017. According to the relevant PRC laws and regulations including the EIT Law, upon being recognised as a “New and High Technology Enterprise”, Zhuhai HongGuang was entitled to a preferential EIT rate of 15% for three consecutive years commencing from 1 January 2016 to 31 December 2018 and received a non-recurring government grant of approximately RMB2.0 million during the year ended 31 December 2017. Such recognition is subject to review and approval by the relevant government authorities every three years, based on a number of requirements set out in the paragraphs headed “Awards” in this announcement, which generally relate to the Company's ordinary and usual course of business. Zhuhai HongGuang's recognition will expire in November 2019. Pursuant to the relevant PRC EIT laws, regulations and implementation guidance notes, Zhuhai HongGuang can, as a transitional measure, continue to pay the EIT at the preferential rate of 15% if the renewal approval of the New and High Technology Enterprise qualification is awarded before the end of 2019. However, there is no assurance that the Group can renew such New and High Technology Enterprise qualification before the end of 2019 or the PRC policies on preferential tax treatments and government grants will not change. If the Group fails to renew such recognition or any such change in laws and policies occurs, the resulting increase in its tax burden and the absence of government grants would have an adverse effect on the Group's net profits and cash flow.



### **The Group operates in a competitive environment.**

The Group may face fierce competition in terms of technologies and product prices not only in the PRC but also in other countries or regions, such as Japan, Korea and Taiwan. The ability of the Group to compete also depends on several factors which may be beyond its control, including the price of the comparable products offered by the Group's competitors in the market and the Group's responsiveness to changes of customers' needs.

Owing to the intense competition in the LED lighting industry in which the Group operates, it cannot assure that the selling prices of certain products are free from downward pressure. In the event that the Group's competitors lower their products' prices, the Group might follow their act in order to maintain its market share, competitiveness, or to lower the inventory level.

As new competitors enter into the industry, the Group may not be able to maintain or expand the sales of its LED beads or expand the sales of its LED lighting products or continue to compete effectively against current and future competitors. There is no assurance that the Group's attempts to remain competitive in the market will succeed. If such attempts to remain competitive fail and the Group's market share shrinks, the overall performance of the Group may be adversely affected.

### **Trade war between the U.S. and the PRC may have a negative impact on the Group's financial performance**

The recent U.S.-China trade war has led to the introduction of tariffs on a host of goods between the two countries, including technological goods and electrical equipment such as LEDs for backlighting of LCDs. In June 2018, the U.S. announced that it would impose an additional duty of 25% on approximately US\$50 billion worth of Chinese imports containing industrially significant technologies. In September 2018, the U.S. further announced an additional tariff of 10% initially on approximately US\$200 billion worth of Chinese imports. From August to October 2019, the U.S. announced further additional tariffs on China imports and China, in response, announced to impose additional tariffs on U.S. imports and lodged a complaint in the World Trade Organization against the U.S. over the U.S. import duties. The trade tensions between the two countries may intensify, and there is a possibility that the extent and scale of trade restrictions between the two countries be escalated if the U.S. and China fail to reach any agreement to settle the issue.

During the Track Record Period, except an Australian importer of LED lighting products as disclosed in the paragraph headed "Summary of the Group's Financial Performance — Revenue — LED lighting products", the Group sold and delivered its products to local customers in the PRC only. There is, however, no assurance that, in the future, (i) the Group's customers or their downstream customers will not engage in export sale of their products into the U.S. and that the export sale of the products of

the Group's customers or their downstream customers into the U.S. will not be subject to local new restrictions to be introduced by the PRC and the U.S.; or (ii) the Group's suppliers or their upstream suppliers will not import their raw materials or components from the U.S. and that the import of raw materials or components from the Group's suppliers or their upstream suppliers from the U.S. will not be subject to local new restrictions to be introduced by the PRC or the U.S.. Further, a prolonged trade war may ultimately affect the economic performance of the PRC as a whole, which may reduce the demand of electronic products and in turn reduce the demand of its products. As a result, the Group's business, financial condition and results of operations may be materially and adversely affected.

## **COMPLIANCE WITH LAWS AND REGULATIONS**

The Directors confirm that the Group has obtained all material licences, permits, approvals and certificates necessary to conduct its business operations since the GEM Listing Date and up to the Latest Practicable Date. The Directors further confirm that, since the GEM Listing Date and up to the Latest Practicable Date, the Group had complied with the relevant laws and regulations in relation to its business in all material respects and there were no material breaches or violations of the laws and regulations applicable to the Group that would have a material adverse effect on its business or financial condition taken as a whole.

## SUMMARY OF THE GROUP'S FINANCIAL PERFORMANCE

The following table sets forth the selected financial information of the Group during the Track Record Period:

	Year ended 31 December			Six months ended	
	2016	2017	2018	30 June	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	(unaudited)
<b>Revenue</b>	141,990	116,737	203,747	62,357	89,662
Cost of sales	<u>(108,802)</u>	<u>(91,626)</u>	<u>(155,899)</u>	<u>(48,715)</u>	<u>(68,404)</u>
<b>Gross profit</b>	33,188	25,111	47,848	13,642	21,258
Other income and gains	175	2,288	183	23	550
Selling and distribution expenses	(1,175)	(1,301)	(1,088)	(483)	(637)
Administrative and other expenses	(7,652)	(12,461)	(19,210)	(6,662)	(15,550)
Reversals of/(provision on) expected credit loss on financial asset	—	—	1,303	—	(162)
Listing expenses	(10,851)	—	—	—	—
Finance costs	<u>(678)</u>	<u>(143)</u>	<u>—</u>	<u>—</u>	<u>(168)</u>
<b>Profit before income tax expense</b>	13,007	13,494	29,036	6,520	5,291
Income tax expense	<u>(7,121)</u>	<u>(661)</u>	<u>(5,140)</u>	<u>(1,447)</u>	<u>(2,002)</u>
<b>Profit for the year attributable to owners of the Company</b>	<u><b>5,886</b></u>	<u><b>12,833</b></u>	<u><b>23,896</b></u>	<u><b>5,073</b></u>	<u><b>3,289</b></u>
<b>Other comprehensive income item that may be reclassified to profit or loss:</b>					
Exchange difference on translation on foreign operations	<u>(2,370)</u>	<u>(1,777)</u>	<u>689</u>	<u>79</u>	<u>(91)</u>
<b>Total comprehensive income for the year attributable to owners of the Company</b>	<u><b>3,516</b></u>	<u><b>11,056</b></u>	<u><b>24,585</b></u>	<u><b>5,152</b></u>	<u><b>3,198</b></u>
<b>Basic and diluted earnings per share (RMB cents)</b>	<u><b>1.96</b></u>	<u><b>3.21</b></u>	<u><b>5.97</b></u>	<u><b>1.27</b></u>	<u><b>0.82</b></u>

## Revenue

During the Track Record Period, the Group derived its revenue from the (i) sales of LED beads; and (ii) sales of LED lighting products. The following table sets forth a breakdown of the Group's revenue in respect of the product category during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2016		2017		2018		2018		2019	
	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000 (unaudited)	% of total revenue	RMB'000 (unaudited)	% of total revenue
LED beads	137,163	96.6	115,945	99.3	198,392	97.4	61,388	98.4	85,904	95.8
LED lighting products	4,827	3.4	792	0.7	5,355	2.6	969	1.6	3,758	4.2
<b>Total</b>	<u>141,990</u>	<u>100.0</u>	<u>116,737</u>	<u>100.0</u>	<u>203,747</u>	<u>100.0</u>	<u>62,357</u>	<u>100.0</u>	<u>89,662</u>	<u>100.0</u>

During the three years ended 31 December 2018 and the six months ended 30 June 2019, the Group's total revenue was approximately RMB142.0 million, RMB116.7 million, RMB203.7 million and RMB89.7 million, respectively. The Group's revenue decreased by approximately 17.8% from approximately RMB142.0 million for the year ended 31 December 2016 to approximately RMB116.7 million for the year ended 31 December 2017. Such decrease in revenue was mainly due to the decrease in revenue from the sales of LED beads and LED lighting products from approximately RMB137.2 million and RMB4.8 million for the year ended 31 December 2016 to approximately RMB115.9 million and RMB0.8 million for the year ended 31 December 2017, respectively.

The Group's revenue increased from approximately RMB116.7 million for the year ended 31 December 2017 to approximately RMB203.7 million for the year ended 31 December 2018, representing a growth of approximately 74.6%. Such increase in revenue was mainly driven by the increase in revenue from the sales of LED beads and LED lighting products from approximately RMB115.9 million and RMB0.8 million for the year ended 31 December 2017 to approximately RMB198.4 million and RMB5.4 million for the year ended 31 December 2018, respectively.

The Group's revenue increased from approximately RMB62.4 million for the six months ended 30 June 2018 to approximately RMB89.7 million for the six months ended 30 June 2019, representing a growth of approximately 43.8%. Such increase in revenue was mainly driven by the increase in revenue from the sales of LED beads and LED lighting products from approximately RMB61.4 million and RMB1.0 million for the six months ended 30 June 2018 to approximately RMB85.9 million and RMB3.8 million for the six months ended 30 June 2019, respectively.

The reasons for the above fluctuations are further discussed as follows:

#### *Revenue from LED beads*

The Group generated a substantial portion of the revenue from selling LED beads during the Track Record Period. For the three years ended 31 December 2018 and the six months ended 30 June 2019, sales of LED beads amounted to approximately RMB137.2 million, RMB115.9 million, RMB198.4 million and RMB85.9 million, which accounted for approximately 96.6%, 99.3%, 97.4% and 95.8% of the Group's total revenue, respectively. The revenue from selling LED beads decreased by approximately RMB21.3 million or 15.5% from approximately RMB137.2 million for the year ended 31 December 2016 to approximately RMB115.9 million for the year ended 31 December 2017. The decrease was primarily due to two of the major customers of the Group, namely Customer A and Customer C, who experienced sales downturn during the year ended 31 December 2017 and hence reduced their purchases from the Group, which in turn, resulted in decrease in the sales volume of LED beads in 2017 as compared to 2016. To the best knowledge of the Directors having made all reasonable enquiries, (i) Customer A experienced sales downturn in 2017, mainly due to the fact that one of its major customers, which was a mobile phone manufacturer in the PRC, experienced financial difficulty and closed down its business in 2017; and (ii) Customer C experienced sales downturn in 2017, primarily due to the intensified market competition as well as the change of its business activities to manufacturing electronic products that require less LED beads for production. In addition, business operations at Zhuhai HongGuang was temporarily disrupted in late August 2017 as super typhoon Hato swept through southern China and severely affected over Zhuhai city, where Zhuhai HongGuang's production facility is located.

Revenue from the sales of LED beads increased from approximately RMB115.9 million for the year ended 31 December 2017 to approximately RMB198.4 million for the year ended 31 December 2018. Such increase was mainly due to the increase in sales volume of LED beads as a result of the market trend and strong demand for thinner backlight LED products while the Group is able to produce slim LED beads to cater for the needs of its clients during the year ended 31 December 2018, which comprised manufacturers of backlight LED modules/panels and LCD panel modules and manufacturers of electronic products. For instance, sales from Customer A increased by approximately 26.8% for the year ended 31 December 2018 as compared to 31 December 2017, mainly due to, as advised by Customer A, the increase in demand for slimmer and more advanced backlight LED products during 2018 which required slim LED beads from its customers, which are mainly mobile phone and tablet computer manufacturers in the PRC. The Group has placed more emphasis and efforts on the research and development and promotion of the slim LED beads to its new and existing customers starting from early 2018 and has been promoting its slim LED beads by providing its customers with samples for their testing and consideration since

the second quarter of 2018, which to the Directors' belief, resulted in significant increase in the revenue generated from the sales of LED beads, especially in the second half of 2018.

Revenue from the sales of LED beads increased from approximately RMB61.4 million for the six months ended 30 June 2018 to approximately RMB85.9 million for the six months ended 30 June 2019. Such increase was mainly due to the increase in sales volume of slim LED beads under the increasing demand for thinner backlight LED products in the PRC.

The following table sets forth the breakdown of the Group's revenue, sales volume and average selling price of standard and slim LED beads during the Track Record Period:

	Year ended 31 December									Six months ended 30 June					
	2016			2017			2018			2018			2019		
	Sales volume		Average selling price	Sales volume		Average selling price	Sales volume		Average selling price	Sales volume		Average selling price	Sales volume		Average selling price
	RMB'000	unit ('000)	RMB/unit	RMB'000	unit ('000)	RMB/unit	RMB'000	unit ('000)	RMB/unit	RMB'000	unit ('000)	RMB/unit	RMB'000	unit ('000)	RMB/unit
Sales of standard LED beads (Note 1)	137,163	992,205	0.1382	115,886	861,699	0.1345	145,340	1,149,362	0.1265	59,831	473,053	0.1265	59,481	476,672	0.1248
Sales of slim LED beads (Note 2)	—	—	—	59	522	0.1133	53,052	350,925	0.1512	1,557	16,104	0.0967	26,423	174,319	0.1516
Total revenue from the sales of LED beads	137,163	992,205	0.1382	115,945	862,221	0.1345	198,392	1,500,287	0.1322	61,388	489,157	0.1255	85,904	650,991	0.1320

Notes:

- Standard LED beads are largely in the size of 3.8 mm × 0.6 mm × 1.0 mm.
- Slim LED beads are largely in the size of 3.0 mm × 0.4 mm × 0.85 mm.

Amongst the total sales of LED beads, approximately RMB53.1 million or 26.7% and approximately RMB26.4 million or 30.8% were accounted for the slim LED beads for the year ended 31 December 2018 and the six months ended 30 June 2019, respectively, and approximately 33.6% and 25.7% of the total sales of slim LED beads were generated from new customers since 2018 for the year ended 31 December 2018 and the six months ended 30 June 2019, respectively. The Group commenced its trial production of slim LED beads and started to sell a small amount of such products to its customers in March 2017. The average selling price of slim LED beads for the year ended 31 December 2017 was lower than that of standard LED beads, mainly due to the fact that the Group offered lower selling prices to its existing and potential customers in order to attract them to purchase from the Group taking into account that the Group's slim LED beads were newly introduced to the market during the period. Nevertheless, the average selling price of slim LED beads increased to RMB0.1512 per unit for the year ended 31 December 2018 and RMB0.1516 per unit for the six months ended 30 June 2019, which was mainly attributable to the high market demand for thinner backlight LED products and hence slim LED beads. According to the CIC

Report, slim LED beads generally require more sophisticated techniques to produce and currently only limited manufacturers in the PRC market are qualified to mass-produce high quality slim LED beads. Also, slim LED beads were first introduced to the market in 2017 and the average selling prices of other similar slim LED beads available in the PRC market ranged from approximately RMB0.1313 to RMB0.1685, RMB0.1273 to RMB0.1635 and RMB0.1216 to RMB0.1553 per unit in 2017, 2018 and the first half of 2019, respectively. While the Group offered lower selling prices to attract customers during 2017 as mentioned above, the average selling price of the Group's slim LED beads during 2018 and during the six months ended 30 June 2019 fell within the range of average selling prices of other similar slim LED beads available in the PRC market.

The Group's revenue generated from the sales of standard LED beads increased by approximately RMB29.5 million or 25.4% from approximately RMB115.8 million for the year ended 31 December 2017 to approximately RMB145.3 million for the year ended 31 December 2018. Such increase was mainly because (i) the Group was able to capture new customers which began to procure the standard LED beads from the Group during the year ended 31 December 2018, which contributed approximately RMB34.3 million in aggregate to the Group's revenue; and (ii) five of the Group's top ten customers in 2018 recorded significant increase in demand of standard LED beads for orders received from their own customers, which include Customer E, Customer G, a PRC company engaged in the research and development, production and sale of photoelectric products, injection molding and mold processing, a PRC company engaged in the production and sale of safety equipment, as well as a PRC company engaged in the manufacturing of optoelectronic devices, other electronic devices and wholesales of household appliances. Sales of standard LED beads to such customers accounted for approximately 43.2% in aggregate to the Group's total sales of standard LED beads during the year ended 31 December 2018. To the best knowledge of the Directors having made all reasonable enquiries, apart from that such five customers are the Group's customers, such customers and their past and current ultimate beneficial owner did not and do not have any past or present relationship (business, employment or otherwise) with the Company and its subsidiaries, their directors, senior management, the Controlling Shareholders or their respective associates. The Group's revenue generated from the sales of standard LED beads remained stable at approximately RMB59.8 million and RMB59.4 million for the six months ended 30 June 2018 and 2019, respectively. According to CIC Report, the average selling prices of other similar standard LED beads available in the PRC market ranged from approximately RMB0.1178 to RMB0.1440, RMB0.1167 to RMB0.1427, RMB0.1132 to RMB0.1384 and RMB0.0958 to RMB0.1301 per unit in 2016, 2017, 2018 and the first half of 2019, respectively. The average selling prices of the Group's standard LED beads fell within such range of average selling prices of other similar standard LED beads available in the PRC market during the Track Record Period.

For each of the three months ended 31 March 2018, 30 June 2018, 30 September 2018 and 31 December 2018, the Group's revenue from the sales of slim LED beads amounted to approximately RMB0.2 million, RMB1.4 million, RMB23.8 million and RMB27.7 million respectively. Although the Group generally recorded higher demands from its customers in the last quarter of the year, many of the Group's customers started procuring the Group's slim LED beads in the third quarter of 2018 to cater for the increase in demand of slimmer and more advanced products from their customers which required more slim LED beads during the three months ended 30 September 2018. In particular, Customer A, Customer B, Customer E, Customer G as well as a PRC company which is principally engaged in research, manufacturing and sales of photoelectric products, increased their purchases of slim LED beads from the Group in the third quarter of 2018, which accounted for approximately 90.6% in aggregate to the Group's total sales of slim LED beads during the third quarter of 2018. To the best knowledge of the Directors having made all reasonable enquiries, apart from that these five customers are the Group's customers, such customers and their past and current ultimate beneficial owner did not and do not have any past or present relationship (business, employment or otherwise) with the Company and its subsidiaries, their directors, senior management, the Controlling Shareholders or their respective associates. Moreover, the Directors believe that since the Group's slim LED beads were put to trial production and sales in March 2017, through marketing activities which included providing customers with product samples, the Group's reputation as slim LED beads manufacturer was gradually built by word-of-mouth and significant revenue was recognised from the sales of slim LED beads starting from the third quarter of 2018. Besides, for each of the three months ended 31 March 2018, 30 June 2018, 30 September 2018 and 31 December 2018, the Group's revenue from the sales of standard LED beads amounted to approximately RMB27.3 million, RMB32.5 million, RMB45.5 million and RMB40.0 million, respectively. The Directors believe that the Group's promotion of slim LED beads attracted some of the Group's new customers to also procure the Group's standard LED beads and therefore resulted in significant increase in revenue from the sales of standard LED beads starting in the third quarter of 2018.

#### *LED lighting products*

During the three years ended 31 December 2018 and the six months ended 30 June 2019, the sales of LED lighting products amounted to approximately RMB4.8 million, RMB0.8 million, RMB5.4 million and RMB3.8 million, which represented approximately 3.4%, 0.7%, 2.6% and 4.2% of the Group's total revenue for the same periods, respectively. Revenue from sales of LED lighting products decreased from approximately RMB4.8 million for the year ended 31 December 2016 to approximately RMB0.8 million for the year ended 31 December 2017. Such decrease was mainly attributable to the decrease in sales of the LED lighting products as a result of the



absence of order from the trading company in the PRC (which was also one of the Group's five largest customers during the Track Record Period) and reduction of order from the Australian importer of LED lighting products.

Revenue from the sales of LED lighting products increased by approximately 575.0% from approximately RMB0.8 million for the year ended 31 December 2017 to approximately RMB5.4 million for the year ended 31 December 2018. Such increase was primarily driven by the orders placed by two new customers who are manufacturers of LED lighting products in the PRC, with sales volume at approximately 0.4 million units in aggregate during the year ended 31 December 2018.

The abovementioned trading company in the PRC did not place any order in respect of the Group's LED lighting products for the two years ended 31 December 2018, whereas the Australian importer did not place any order with the Group since the second half of 2017. In view of the absence of order from these two customers, starting from early 2018, the Group started to place more emphasis and sales efforts to explore other new customers in relation to LED lighting products, and subsequently the Group was able to diversify its customer base of LED lighting products by soliciting two new customers (i.e. the manufacturers of LED lighting products in the PRC) in 2018, and hence it resulted in significant increase in the revenue generated from the sales of LED lighting products, the majority of which were generated from the second half of 2018.

Revenue from the sales of LED lighting products increased by approximately 287.8% from approximately RMB1.0 million for the six months ended 30 June 2018 to RMB3.8 million for the six months ended 30 June 2019. Such increase was mainly attributable to the increase in sales made during the six months ended 30 June 2019 to the above-mentioned two customers which commenced business with the Group in 2018, as well as the orders placed by one new customer which commenced business with the Group during the first half of 2019. The new customer in 2019 is a PRC company which is in fitting-out and construction business, the Group's revenue from the sales of LED lighting products to this customer amounted to approximately RMB0.4 million for the six months ended 30 June 2019.

## Cost of sales

During the Track Record Period, the cost of sales primarily consisted of cost of material used, direct labour and production overheads. The following table sets forth the breakdown of the Group's cost of sales and their corresponding percentage during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2016		2017		2018		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	% (unaudited)	RMB'000 (unaudited)	%
Cost of material used	100,191	92.1	83,048	90.7	145,751	93.5	44,357	91.1	63,117	92.3
Direct labour	2,296	2.1	2,694	2.9	3,260	2.1	1,369	2.8	1,556	2.2
Production overheads	6,315	5.8	5,884	6.4	6,888	4.4	2,989	6.1	3,731	5.5
<b>Total</b>	<b>108,802</b>	<b>100.0</b>	<b>91,626</b>	<b>100.0</b>	<b>155,899</b>	<b>100.0</b>	<b>48,715</b>	<b>100.0</b>	<b>68,404</b>	<b>100.0</b>

For the three years ended 31 December 2018 and the six months ended 30 June 2019, the Group's cost of sales were approximately RMB108.8 million, RMB91.6 million, RMB155.9 million and RMB68.4 million, representing approximately 76.6%, 78.5%, 76.5% and 76.3% of the Group's total revenue for the corresponding periods, respectively. The Group's cost of sales decreased from approximately RMB108.8 million for the year ended 31 December 2016 to approximately RMB91.6 million for the year ended 31 December 2017. Such decrease was mainly attributable to the decrease in the cost of material used, which represented the purchase costs of the production materials for the manufacturing of the Group's products, by approximately 17.2% from approximately RMB100.2 million for the year ended 31 December 2016 to approximately RMB83.0 million for the year ended 31 December 2017, which is in line with the decrease in the sales volume of LED beads and LED lighting products during the same period.

The Group's cost of sales increased from approximately RMB91.6 million for the year ended 31 December 2017 to approximately RMB155.9 million for the year ended 31 December 2018. Such increase was mainly attributable to the increase in the cost of material used, by approximately 75.7% from approximately RMB83.0 million for the year ended 31 December 2017 to approximately RMB145.8 million for the year ended 31 December 2018, which is in line with the increase in the Group's revenue by approximately 74.6% during the same period.

The Group's cost of sales increased by approximately 40.5% from approximately RMB48.7 million for the six months ended 30 June 2018 to approximately RMB68.4 million for the six months ended 30 June 2019. Such increase was mainly due to the increase in sales volume of the LED beads and LED lighting products, which led to the significant increase in cost of material used during the period.

## Gross profit and gross profit margin

For the three years ended 31 December 2018 and the six months ended 30 June 2019, the Group's gross profit amounted to approximately RMB33.2 million, RMB25.1 million, RMB47.8 million and RMB21.3 million, respectively, and the Group's gross profit margin were approximately 23.4%, 21.5%, 23.5% and 23.7%, respectively. The following table sets out the breakdown of the gross profit and gross profit margin by product category during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2016		2017		2018		2018		2019	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	% (unaudited)	RMB'000 (unaudited)	% (unaudited)
LED beads	30,173	22.0	24,684	21.3	45,412	22.9	13,239	21.6	19,445	22.6
LED lighting products	<u>3,015</u>	<u>62.4</u>	<u>427</u>	<u>53.9</u>	<u>2,436</u>	<u>45.5</u>	<u>403</u>	<u>41.6</u>	<u>1,813</u>	<u>48.2</u>
<b>Total</b>	<u><u>33,188</u></u>	<u><u>23.4</u></u>	<u><u>25,111</u></u>	<u><u>21.5</u></u>	<u><u>47,848</u></u>	<u><u>23.5</u></u>	<u><u>13,642</u></u>	<u><u>21.9</u></u>	<u><u>21,258</u></u>	<u><u>23.7</u></u>

The overall gross profit decreased by approximately RMB8.1 million, or approximately 24.4%, from approximately RMB33.2 million for the year ended 31 December 2016 to approximately RMB25.1 million for the year ended 31 December 2017, and the gross profit margin also decreased from approximately 23.4% for the year ended 31 December 2016 to approximately 21.5% for the year ended 31 December 2017. For the year ended 31 December 2018, the overall gross profit increased by approximately RMB22.7 million, or approximately 90.4%, from approximately RMB25.1 million for the year ended 31 December 2017 to approximately RMB47.8 million for the year ended 31 December 2018, and the gross profit margin also increased from approximately 21.5% for the year ended 31 December 2017 to approximately 23.5% for the year ended 31 December 2018. For the six months ended 30 June 2019, the overall gross profit increased by approximately RMB7.7 million, or approximately 55.8%, from approximately RMB13.6 million for the six months ended 30 June 2018 to approximately RMB21.3 million for the six months ended 30 June 2019, and the gross profit margin also increased from 21.9% for the six months ended 30 June 2018 to 23.7% for the six months ended 30 June 2019.

The gross profit margin of LED beads decreased slightly from approximately 22.0% for the year ended 31 December 2016 to approximately 21.3% for the year ended 31 December 2017, mainly attributable to the decrease in average selling price of LED beads of approximately 2.2% during the year ended 31 December 2017. The gross profit margin of LED lighting products decreased from approximately 62.4% for the year ended 31 December 2016 to approximately 53.9% for the year ended 31 December 2017, mainly due to the higher proportion of sales of LED lighting products with lower profit margin during the year ended 31 December 2017 as compared to the previous year.

The gross profit margin of LED beads increased slightly from approximately 21.3% for the year ended 31 December 2017 to approximately 22.9% for the year ended 31 December 2018, mainly attributable to (i) the decrease in average purchase price of the raw materials for the manufacturing of LED beads; and (ii) the relatively higher selling price of the slim LED beads in general (as compared to the standard LED beads while the amount and types of material used are similar to each other) sold by the Group during the year ended 31 December 2018. The gross profit margin of LED lighting products decreased from approximately 53.9% for the year ended 31 December 2017 to approximately 45.5% for the year ended 31 December 2018, mainly due to the higher proportion of sales of LED lighting products with lower profit margin during the year ended 31 December 2018 as compared to the previous year.

The gross profit margin of LED beads increased from approximately 21.6% for the six months ended 30 June 2018 to approximately 22.6% for the six months ended 30 June 2019. Such increase was mainly attributable to the decrease in the average purchase price of the raw materials. The gross profit margin of LED lighting products increased from approximately 41.6% for the six months ended 30 June 2018 to approximately 48.2% for the six months ended 30 June 2019. Such increase was mainly due to the sales of a LED lighting product with higher profit margin during the six months ended 30 June 2019, as compared to the corresponding period in 2018.

## Other income and gains

Other income and gains of the Group amounted to approximately RMB0.2 million, RMB2.3 million, RMB0.2 million and RMB0.6 million for the three years ended 31 December 2018 and the six months ended 30 June 2019, respectively. The Group's other income and gains were mainly derived from bank interest income, gain on disposal of property, plant and equipment, government grants, and others during the Track Record Period, a breakdown of which is set forth below:

	Year ended 31 December			Six months ended	
	2016	2017	2018	30 June	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	(unaudited)
Bank interest income	2	11	77	1	534
Gain on disposal of property, plant and equipment	—	54	—	—	—
Government grants	173	1,991	106	—	—
Others	—	232	—	22	16
<b>Total</b>	<u>175</u>	<u>2,288</u>	<u>183</u>	<u>23</u>	<u>550</u>

The Group's other income and gains increased by approximately 12.1 times from approximately RMB0.2 million for the year ended 31 December 2016 to approximately RMB2.3 million for the year ended 31 December 2017, which was mainly attributable to the receipt of government grants of approximately RMB2.0 million by Zhuhai HongGuang, upon being recognised as a "New and High Technology Enterprise".

The Group's other income and gains decreased by approximately 92.0% from approximately RMB2.3 million for the year ended 31 December 2017 to approximately RMB0.2 million for the year ended 31 December 2018, which was mainly due to the decrease of government grants to the Group during the year ended 31 December 2018.

The Group's other income and gains increased by approximately 30.0 times from approximately RMB23,000 for the six months ended 30 June 2018 to approximately RMB0.6 million for the six months ended 30 June 2019, which was mainly due to the increase in bank interest income for the increased amount of time deposit and interest-bearing financial assets at fair value through profit or loss during the period.

## **Selling and distribution expenses**

During the three years ended 31 December 2018 and the six months ended 30 June 2019, the selling and distribution expenses amounted to approximately RMB1.2 million, RMB1.3 million, RMB1.1 million and RMB0.6 million, respectively. The selling and distribution expenses mainly included staff costs, traveling expenses and entertainment expenses.

The Group's selling and distribution expenses increased by approximately RMB0.1 million from approximately RMB1.2 million for the year ended 31 December 2016 to approximately RMB1.3 million for the year ended 31 December 2017, primarily as a result of the increase in staff costs and entertainment expenses.

The Group's selling and distribution expenses decreased by approximately RMB0.2 million from approximately RMB1.3 million for the year ended 31 December 2017 to approximately RMB1.1 million for the year ended 31 December 2018, mainly attributable to the decrease in traveling expenses and entertainment expenses, owing to the cost control initiative on sales and marketing by the Group.

The Group's selling and distribution expenses increased by approximately RMB0.1 million from approximately RMB0.5 million for the six months ended 30 June 2018 to approximately RMB0.6 million for the six months ended 30 June 2019. The increase in selling and distribution expenses was mainly attributable to the increase in sales and marketing staff costs.

## Administrative and other expenses

During the three years ended 31 December 2018 and the six months ended 30 June 2019, the administrative and other expenses amounted to approximately RMB18.5 million, RMB12.5 million, RMB19.2 million and RMB15.6 million, respectively. Administrative and other expenses mainly included administrative staff costs, research and development costs and professional services expenses during the Track Record Period, a breakdown of which is set forth below:

	2016		Year ended 31 December				Six months ended 30 June			
	RMB'000	%	2017	%	2018	%	2018	%	2019	%
			RMB'000		RMB'000		RMB'000		RMB'000	
							(unaudited)		(unaudited)	
Auditors' remuneration	582	3.2	821	6.6	799	4.1	32	0.5	39	0.3
Legal and professional fees	288	1.6	4,220	33.9	2,858	14.9	1,514	22.7	6,963	44.8
Listing expenses	10,851	58.6	—	0.0	—	0.0	—	0.0	—	0.0
Impairment loss on trade receivables	392	2.1	330	2.6	—	0.0	—	0.0	—	0.0
Research and development	1,032	5.6	1,220	9.8	10,025	52.2	2,452	36.8	5,189	33.4
Staff costs	3,495	18.9	4,170	33.5	4,159	21.7	2,082	31.2	2,304	14.8
Travelling expenses	563	3.0	691	5.5	610	3.1	312	4.7	533	3.4
Other expenses	1,300	7.0	1,009	8.1	759	4.0	270	4.1	522	3.3
<b>Total</b>	<b>18,503</b>	<b>100.0</b>	<b>12,461</b>	<b>100.0</b>	<b>19,210</b>	<b>100.0</b>	<b>6,662</b>	<b>100.0</b>	<b>15,550</b>	<b>100.0</b>

The Group's administrative and other expenses decreased by approximately RMB6.0 million from approximately RMB18.5 million for the year ended 31 December 2016 to approximately RMB12.5 million for the year ended 31 December 2017, mainly due to the absence of the listing expenses for the year ended 31 December 2017. The Group recorded listing expenses of approximately RMB10.9 million for the year ended 31 December 2016.

The Group's administrative and other expenses increased by approximately RMB6.7 million from approximately RMB12.5 million for the year ended 31 December 2017 to approximately RMB19.2 million for the year ended 31 December 2018, mainly attributable to the increase in research and development costs during the year ended 31 December 2018 by approximately RMB8.8 million on slim LED beads as more emphasis was placed by the Group on research and development after being recognised as a "New and High Technology Enterprise".

The Group's administrative and other expenses increased by approximately RMB8.9 million from approximately RMB6.7 million for the six months ended 30 June 2018 to approximately RMB15.6 million for the six months ended 30 June 2019, mainly due to (i) the increase in research and development expenses; and (ii) the increase in the professional services expenses in relation to the Transfer of Listing. Research and development expenses increased from approximately RMB2.5 million for the six months ended 30 June 2018 to approximately RMB5.2 million for the six months ended 30 June 2019 as the Group has placed more emphasis on research and development in relation to slim LED beads together with the commission of the School of Applied Physics and Material Science of Wuyi University (五邑大學) by the Group to conduct specific research projects for the Group starting in the second half of 2018. The professional services expenses in relation to the Transfer of Listing, which commenced during the first quarter of 2019, were approximately RMB5.4 million for the six months ended 30 June 2019.

#### **Reversals of/(provision on) expected credit loss on financial asset**

The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements. In particular, the Group's impairment model for impairment of financial assets has been changed by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". The Group applies the HKFRS 9 simplified approach to measure ECLs which recognises lifetime ECLs for all trade and bills receivables. To measure the ECLs, trade and bills receivables have been grouped based on shared credit risk characteristics and the days past due. Applying the ECL model resulted in immaterial impairment on 1 January 2018.

During the year ended 31 December 2018, trade receivables turnover days and the aging of trade receivables were improved as compared to the year ended 31 December 2017, which resulted in the reversals of impairment loss for approximately RMB1.3 million of trade and bills receivables for the financial year.

During the six months ended 30 June 2019, trade receivables turnover days worsened as compared to the year ended 31 December 2018, which resulted in the provision on expected credit loss on financial asset of approximately RMB0.2 million.



## Income tax expense

Income tax expense represents the Group's total current and deferred tax expenses. The Group's income tax expense during the Track Record Period can be reconciled to the profit before income tax expense stated in the Group's consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Six months ended	
	2016	2017	2018	30 June	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	(unaudited)
Profit before income tax expense	13,007	13,494	29,036	6,520	5,291
At the PRC's statutory EIT rate (2019: 15%; 2018: 15%; 2017: 15%; 2016: 25%)	3,252	2,024	4,356	978	794
Effect of different tax rates for subsidiaries operating in other jurisdiction	1,111	(118)	(101)	(47)	(121)
Effect of non-deductible expenses	2,159	1,306	1,110	516	1,329
Effect of non-taxable income	—	(1)	(1)	—	—
(Over)/under provision in respect of prior years ( <i>Note</i> )	599	(2,550)	(224)	—	—
<b>Income tax expense</b>	<b>7,121</b>	<b>661</b>	<b>5,140</b>	<b>1,447</b>	<b>2,002</b>

*Note:* The over-provision for approximately RMB2,550,000 recognised for the year ended 31 December 2017 represented the over-provision of EIT for the year ended 31 December 2016 after taking into account the tax preference with a reduction of EIT rate from 25% to 15% for the period from 1 January 2016 to 31 December 2018.

The Group's income tax expense decreased from approximately RMB7.1 million for the year ended 31 December 2016 to approximately RMB0.7 million for the year ended 31 December 2017. Such decrease was primarily attributable to (i) Zhuhai HongGuang's entitlement to a tax preference with a reduction of EIT rate from 25% to 15% upon being recognised as a "New and High Technology Enterprise" during 2017; and (ii) a non-recurring income tax credit of approximately RMB2.6 million recognised during 2017, in relation to the EIT reduction amount for the year ended 31 December 2016.

The Group's income tax expense increased from approximately RMB0.7 million for the year ended 31 December 2017 to approximately RMB5.1 million for the year ended 31 December 2018. Such increase was primarily attributable to (i) the Group's increase in profit before tax during the year ended 31 December 2018; and (ii) the absence of income tax credit during the year ended 31 December 2018 where an income tax credit of approximately RMB2.6 million was recognised in 2017 as mentioned above.

The Group's income tax expense increased from approximately RMB1.4 million for the six months ended 30 June 2018 to approximately RMB2.0 million for the six months ended 30 June 2019, mainly attributable to the Group's increase in revenue during the period.

According to the EIT Law, EIT shall be prepaid on a monthly or quarterly basis and settle/obtain refund for the difference after the calendar year ends. Tax payments made by the Group within a calendar year may include (i) the payment of provisional tax payment for the first three quarters of the same year; and (ii) the remaining tax payment or tax refund in respect of the tax paid for the previous year. Hence, there may be discrepancy between the tax payment made and the income tax expense in the same calendar year.

The effective tax rates for the three years ended 31 December 2018 and the six months ended 30 June 2019 were approximately 54.7%, 4.9%, 17.7% and 37.8%, respectively. The high effective tax rate for the year ended 31 December 2016 was mainly attributable to the effect from the listing expenses incurred which were not deductible for tax purpose. The low effective tax rate for the year ended 31 December 2017 was mainly due to lowered income tax expenses as compared to the year ended 31 December 2016 as a result of (i) Zhuhai HongGuang's entitlement to a tax preference with a reduction of EIT rate from 25% to 15% upon being recognised as a "New and High Technology Enterprise" during 2017; and (ii) an income tax credit of approximately RMB2.6 million recognised during 2017 in respect of the tax preference for the year ended 31 December 2016 subsequently granted to the Group in 2017 as mentioned above. The effective tax rate increased to approximately 17.7% for the year ended 31 December 2018, mainly due to the absence of income tax credit during the year ended 31 December 2018 where an income tax credit of approximately RMB2.6 million was recognised in 2017 as mentioned above and hence such effective tax rate

is at the similar level of EIT rate of 15% in 2018. The effective tax rate has further increased to approximately 37.8% for the six months ended 30 June 2019, which is mainly due to the professional services expenses in relation to the Transfer of Listing of approximately RMB5.4 million incurred, which are non-deductible, for the six months ended 30 June 2019. Excluding the effect of the aforesaid professional services expenses which are non-deductible, the effective tax rate was approximately 18.7% for the six months ended 30 June 2019.

### **Profit for the year**

Profit for the year increased by approximately RMB6.9 million or approximately 116.9% from approximately RMB5.9 million for the year ended 31 December 2016 to approximately RMB12.8 million for the year ended 31 December 2017. Such increase was primarily attributable to (i) the recognition as other income and gains of non-recurring government grants of approximately RMB2.0 million granted to Zhuhai HongGuang; (ii) Zhuhai HongGuang is entitled to a reduction in the rate of EIT from 25% to 15%; (iii) the recognition of a non-recurring income tax credit of approximately RMB2.6 million which results in a reduction of EIT payable; and (iv) the absence of listing expenses in 2017 (approximately RMB10.9 million of listing expenses were recognised as administrative and other expenses in 2016).

Profit for the year increased by approximately RMB11.1 million or approximately 86.7% from approximately RMB12.8 million for the year ended 31 December 2017 to approximately RMB23.9 million for the year ended 31 December 2018. Such increase was mainly attributable to the increase in revenue and gross profit as well as effective cost management during the year.

Profit for the period decreased by approximately RMB1.8 million from approximately RMB5.1 million for the six months ended 30 June 2018 to approximately RMB3.3 million for the six months ended 30 June 2019, which was mainly attributable to the increase in administrative and other expenses for the six months ended 30 June 2019, as compared to the corresponding period in 2018.

## Summary of the consolidated statement of financial position of the Group

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
				(unaudited)
<b>Non-current assets</b>				
Property, plant and equipment	14,357	17,739	16,349	19,495
Intangible assets	3,626	2,944	2,262	1,921
Prepayments and deposits	—	—	931	3,604
Deferred tax assets	548	797	466	466
<b>Total non-current assets</b>	<b>18,531</b>	<b>21,480</b>	<b>20,008</b>	<b>25,486</b>
<b>Current assets</b>				
Inventories	11,126	16,058	16,664	20,597
Trade and bills receivables	89,219	87,111	94,351	72,440
Prepayments, deposits and other receivables	57,210	4,427	7,282	15,298
Financial assets at fair value through profit or loss	—	—	6,905	6,290
Pledged bank deposits	—	—	3,960	1,000
Bank balances and cash	577	15,815	49,778	51,488
<b>Total current assets</b>	<b>158,132</b>	<b>123,411</b>	<b>178,940</b>	<b>167,113</b>
<b>Current liabilities</b>				
Trade and bills payables	25,715	10,956	40,260	17,594
Other payables and accruals	19,158	7,664	6,547	12,192
Lease liabilities	—	—	—	296
Current tax liabilities	2,521	646	1,931	1,163
Borrowings	14,700	—	—	6,350
<b>Total current liabilities</b>	<b>62,094</b>	<b>19,266</b>	<b>48,738</b>	<b>37,595</b>
<b>Net current assets</b>	<b>96,038</b>	<b>104,145</b>	<b>130,202</b>	<b>129,518</b>
<b>Non-current liabilities</b>				
Lease liabilities	—	—	—	1,596
<b>Net assets</b>	<b>114,569</b>	<b>125,625</b>	<b>150,210</b>	<b>153,408</b>
<b>Equity attributable to owners of the Company</b>				
Share capital	3,580	3,580	3,580	3,580
Reserves	110,989	122,045	146,630	149,828
<b>Total equity</b>	<b>114,569</b>	<b>125,625</b>	<b>150,210</b>	<b>153,408</b>

The Group's net current assets increased continuously at each year end from RMB96.0 million as at 31 December 2016 to RMB130.2 million as at 31 December 2018, mainly due to the continuous increase in working capital in support of business growth. As at 30 June 2019, the Group's net current assets remained stable at approximately RMB129.5 million.

## Inventories

The Group's inventories comprised raw materials and finished goods. Raw materials principally represented the production materials of LED chips, gold wires and brackets. Finished goods represented the finished LED beads and LED lighting products. The balance of the Group's inventories amounted to approximately RMB11.1 million, RMB16.1 million, RMB16.7 million and RMB20.6 million as at 31 December 2016, 31 December 2017, 31 December 2018 and 30 June 2019, respectively.

The following table sets forth the turnover days of inventories for the periods indicated:

	<b>Year ended 31 December</b>			<b>Six months ended</b>
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>30 June 2019</b>
Inventory turnover days ( <i>Note</i> )	<u>54.0</u>	<u>54.1</u>	<u>38.3</u>	<u>49.3</u>

*Note:* Inventory turnover days are calculated by dividing the average inventory balance by cost of sales multiplied by the number of days during the relevant period (i.e. 365 days for each of the three years ended 31 December 2018 and 181 days for the six months ended 30 June 2019). Average inventory balance is the average of the beginning and ending inventory balances for the relevant period.

The Group's inventory turnover days were approximately 54.0 days, 54.1 days, 38.3 days and 49.3 days, respectively, for the three years ended 31 December 2018 and the six months ended 30 June 2019. The shorter inventory turnover days for the year ended 31 December 2018 as compared to the year ended 31 December 2017 was mainly due to the increase in the cost of sales during the year ended 31 December 2018 with similar inventory level as at 31 December 2017 and 2018 which is reflective of the Group's initiatives in effective stock management in 2018. The Group's inventory turnover days increased to approximately 49.3 days for the six months ended 30 June 2019, mainly due to the increased inventory level during the period as the Company expected a higher demand from customers for the second half of 2019.

As at the Latest Practicable Date, approximately 99.8% of the Group's inventories as at 30 June 2019 were subsequently utilised or sold.

### Trade and bills receivables

As at 31 December 2016, 31 December 2017, 31 December 2018 and 30 June 2019, the Group's trade and bills receivables amounted to approximately RMB89.2 million, RMB87.1 million, RMB94.4 million and RMB72.4 million, respectively. The following table sets out the breakdown of the trade and bills receivables as at 31 December 2016, 31 December 2017, 31 December 2018 and 30 June 2019 and trade receivables turnover days for the Track Record Period:

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)
Trade receivables	84,302	85,378	94,341	72,440
Bills receivables	<u>4,917</u>	<u>1,733</u>	<u>10</u>	<u>—</u>
<b>Total</b>	<b><u>89,219</u></b>	<b><u>87,111</u></b>	<b><u>94,351</u></b>	<b><u>72,440</u></b>
				<b>Six</b>
				<b>months</b>
				<b>ended</b>
	<b>Year ended 31 December</b>			<b>30 June</b>
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>Days</i>	<i>Days</i>	<i>Days</i>	<i>Days</i>
Trade and bills receivables				
turnover days ( <i>Note</i> )	<u>189.7</u>	<u>275.7</u>	<u>162.5</u>	<u>168.3</u>

*Note:* Trade and bills receivables turnover days are calculated by dividing the average trade and bills receivables balance by revenue for the relevant period multiplied by the number of days during the period (i.e. 365 days for each of the three years ended 31 December 2018 and 181 days for the six months ended 30 June 2019). Average trade and bills receivables balance is the average of the beginning and ending trade and bills receivables balances for the relevant period.

During the Track Record Period, the credit period offered to the Group's customers ranged from 0 to 125 days. The trade and bills receivables balance remained relatively stable at approximately RMB89.2 million as at 31 December 2016 and RMB87.1 million as at 31 December 2017. The balance of the trade and bills receivables increased from approximately RMB87.1 million as at 31 December 2017 to

approximately RMB94.4 million as at 31 December 2018 mainly due to the increase in sales of LED beads and LED lighting products during the year ended 31 December 2018. The trade and bills receivables balance decreased from approximately RMB94.4 million as at 31 December 2018 to approximately RMB72.4 million as at 30 June 2019, mainly because the Group usually records lower sales in the first half of the year when compared to the second half of the year.

The Group's trade and bills receivables turnover days increased from approximately 189.7 days for the year ended 31 December 2016 to approximately 275.7 days for the year ended 31 December 2017. Such increase was mainly due to the tolerance on two of the Group's major customers in 2017 for delayed settlement after considering their payment history and creditability in order to maintain a long term relationship with them.

The Group's trade and bills receivables turnover days decreased from approximately 275.7 days for the year ended 31 December 2017 to approximately 162.5 days for the year ended 31 December 2018. Such decrease was mainly due to the improvement of the Group's credit control management of trade and bills receivables during the year ended 31 December 2018. The Group's trade and bills receivables turnover days remained stable at approximately 168.3 days for the six months ended 30 June 2019.

During the Track Record Period, the trade and bills receivables turnover days ranged from approximately 162.5 days to 275.7 days, which were higher than the credit period offered to the Group's customers from 0 to 125 days, mainly attributable to the Group's tolerance on outstanding trade receivables resulting in delays of certain customers in settling the Group's trade receivables. Those customers (including the aforesaid two major customers) requested for delay in settling the Group's trade and bills receivables balance as they have yet to receive payments from their respective customers during the Track Record Period. Nevertheless, the Group recorded decreases in turnover days of trade and bills receivables for the year ended 31 December 2018, mainly due to improvement of the Group's credit control management of trade and bills receivables as mentioned above. The Directors believe that such improvement was achieved by more progressive liaison and follow up by its staff on overdue balances, which resulted in more efficient collections of the trade and bills receivables due from the Group's customers.

As at the Latest Practicable Date, approximately RMB55.7 million, or 76.8% of the Group's trade and bills receivables as at 30 June 2019 were subsequently settled.

The following is an ageing analysis of the Group's trade and bills receivables, based on the invoice date, as at 31 December 2016, 31 December 2017, 31 December 2018 and 30 June 2019:

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)
0 to 30 days	22,865	21,328	34,187	23,059
31 to 60 days	23,927	15,774	24,739	14,375
61 to 90 days	14,425	11,984	16,361	9,161
91 to 120 days	8,619	7,264	8,083	10,586
121 to 365 days	19,398	30,114	11,448	15,892
Over 1 year	<u>2,874</u>	<u>3,866</u>	<u>1,449</u>	<u>1,444</u>
	92,108	90,330	96,267	74,517
Less: Impairment of trade and bills receivables	<u>(2,889)</u>	<u>(3,219)</u>	<u>(1,916)</u>	<u>(2,077)</u>
<b>Total</b>	<u><u>89,219</u></u>	<u><u>87,111</u></u>	<u><u>94,351</u></u>	<u><u>72,440</u></u>

As at 31 December 2016, 31 December 2017, 31 December 2018 and 30 June 2019, the Group's trade and bills receivables of approximately RMB32.2 million, RMB44.2 million, RMB28.5 million and RMB36.4 million, respectively, were past due but not impaired. The Directors confirm that these related to a number of independent customers that have a good track record with the Group and based on the Group's experience, the Directors were of the view that no provision for impairment was necessary in respect of these overdue balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The Directors are of the view that, the trade and bills receivables that were past due but not impaired as at 30 June 2019 are fully recoverable in all material aspects for the following reasons: (i) the Group's trade and bills receivables which was aged over 120 days of approximately RMB17.3 million as at 30 June 2019 accounted for approximately 23.2% of the Group's trade and bills receivables of approximately RMB74.5 million as at 30 June 2019 (before impairment of trade and bills receivables), whereas the trade and bills receivables which was aged over 120 days of approximately RMB42.7 million as at 30 June 2018 accounted for approximately 46.9% of the Group's trade and bills receivables of approximately RMB91.0 million as at 30 June 2018 (before impairment of trade and bills receivables), indicating that the Group's credit control management of trade and bills receivables has been improved



during the period; (ii) approximately RMB50.9 million or 70.3% of the trade and bills receivables as at 30 June 2019 was attributable to the five largest customers of the Group for the six months ended 30 June 2019, in which the Directors considered these major customers were of low credit risk after taking into account (a) their satisfactory payment history — their subsequent settlement (up to the Latest Practicable Date) to the Group's trade and bills receivables as at 30 June 2019 of approximately RMB43.1 million accounted for approximately 77.4% of the total subsequent settlement amount by the Group's debtors from 30 June 2019 up to the Latest Practicable Date of approximately RMB55.7 million, demonstrating that the aforesaid major customers continue to settle their respective trade receivables balances; (b) there was no bad debt recorded in relation to the trade and bills receivables balances from the five largest customers during the Track Record Period and up to the Latest Practicable Date; and (c) their stable business relationships with the Group in the past; and (iii) the Group's trade receivables turnover days remained relatively stable at approximately 168.3 days for the six months ended 30 June 2019 as compared to approximately 162.5 days for the year ended 31 December 2018.

### Prepayments, deposits and other receivables

As at 31 December 2016, 31 December 2017, 31 December 2018 and 30 June 2019, the Group had prepayments, deposits and other receivables of approximately RMB57.2 million, RMB4.4 million, RMB8.2 million and RMB18.9 million, respectively. The following table sets out a breakdown of the Group's prepayments and other receivables as at 31 December 2016, 31 December 2017, 31 December 2018 and 30 June 2019:

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
				(unaudited)
Other receivables	56,439	51	51	64
Prepayments and deposits	<u>771</u>	<u>4,376</u>	<u>8,162</u>	<u>18,838</u>
<b>Total</b>	<u><u>57,210</u></u>	<u><u>4,427</u></u>	<u><u>8,213</u></u>	<u><u>18,902</u></u>

As at 31 December 2016, 31 December 2017, 31 December 2018 and 30 June 2019, the Group's prepayments mainly represented prepayments to independent third parties suppliers for the purchase of raw materials. The balance increased from approximately RMB0.8 million as at 31 December 2016 to approximately RMB4.4 million as at 31 December 2017 and further increase to approximately RMB8.2 million as at 31 December 2018 and to approximately RMB18.8 million as at 30 June 2019, which

were mainly attributable to the increase in prepayment to major suppliers so as to secure the purchase of major raw materials such as gold wires and LED chips in order to meet the increasing demand and production needs of LED beads.

The Group's other receivables balance as at 31 December 2016 mainly comprised the receivable of proceeds from the share placing during the year ended 31 December 2016, and such balance has been fully received by the Company in January 2017.

### Trade and bills payables

The Group's trade and bills payables amounted to approximately RMB25.7 million, RMB11.0 million, RMB40.3 million and RMB17.6 million as at 31 December 2016, 31 December 2017, 31 December 2018 and 30 June 2019, respectively. The following tables set out the trade and bills payables as at 31 December 2016, 31 December 2017, 31 December 2018 and 30 June 2019 and trade and bills payable turnover days for the Track Record Period:

	As at 31 December			As at
	2016	2017	2018	30 June
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
				(unaudited)
Trade payables	25,715	10,956	29,405	14,594
Bills payables	—	—	10,855	3,000
<b>Total</b>	<b>25,715</b>	<b>10,956</b>	<b>40,260</b>	<b>17,594</b>
	Year ended 31 December			Six
	2016	2017	2018	months
	Days	Days	Days	ended
				30 June
				2019
				Days
Trade and bills payables turnover days ( <i>Note</i> )	89.5	73.0	60.0	76.5

*Note:* Trade and bills payables turnover days are calculated by dividing the average trade and bills payables balance by cost of sales for the relevant period multiplied by the number of days during the relevant period (i.e. 365 days for each of the three years ended 31 December 2018 and 181 days for the six months ended 30 June 2019). Average trade and bills payables balance is the average of the beginning and ending trade and bills payables balances for the relevant period.

During the Track Record Period, the Group was required to pay to the suppliers for the production materials with a credit period that ranged from 0 to 120 days. The Group's trade and bills payables decreased from approximately RMB25.7 million as at 31 December 2016 to approximately RMB11.0 million as at 31 December 2017. Such decrease was mainly due to the substantial amount of settlement the Group made to the suppliers before the year end of 2017 and hence lower the trade payables balance as at 31 December 2017. The trade and bills payables of the Group increased from approximately RMB11.0 million as at 31 December 2017 to approximately RMB40.3 million as at 31 December 2018, which was mainly attributable to the increase in purchase of raw materials to cater for expected increase in sales of LED beads. The trade and bills payables of the Group decreased from approximately RMB40.3 million as at 31 December 2018 to RMB17.6 million as at 30 June 2019. The Group has made a substantial settlement to its suppliers shortly before the end of the six months ended 30 June 2019.

The Group's trade and bills payables turnover days decreased from approximately 89.5 days for the year ended 31 December 2016 to approximately 73.0 days for the year ended 31 December 2017, which was mainly due to the reasons mentioned above in respect of the decrease in the trade and bills payables balance as at 31 December 2017 as compared to the corresponding period in 2016. The Group's trade and bills payables turnover days remained relatively stable at approximately 73.0 days for the year ended 31 December 2017, approximately 60.0 days for the year ended 31 December 2018 and approximately 76.5 days for the six months ended 30 June 2019.

The following table sets out an ageing analysis of the Group's trade and bills payables as at 31 December 2016, 31 December 2017, 31 December 2018 and 30 June 2019 based on invoice date:

	<b>As at 31 December</b>			<b>As at 30 June</b>
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)
0 to 30 days	12,989	3,132	11,770	4,168
31 to 60 days	4,782	2,381	3,740	1,902
61 to 90 days	1,303	1,128	8,906	1,610
91 to 120 days	218	1,297	5,873	2,981
121 to 365 days	681	538	9,684	6,889
Over 1 year	<u>5,742</u>	<u>2,480</u>	<u>287</u>	<u>44</u>
<b>Total</b>	<u><u>25,715</u></u>	<u><u>10,956</u></u>	<u><u>40,260</u></u>	<u><u>17,594</u></u>

As at the Latest Practicable Date, approximately RMB7.7 million, or 43.9% of the Group's trade and bills payables as at 30 June 2019 were subsequently settled.

### **Current tax liabilities**

The Group pays provisional EIT on a quarterly basis according to the EIT Law. Accordingly, the Group's current tax liabilities as at 31 December of each financial year corresponded to the amount of provisional EIT payable by the Group for the fourth quarter of that financial year.

### **Cash flows**

The Group recorded net cash used in operating activities of approximately RMB5.5 million for the six months ended 30 June 2019 as compared to net cash generated from operating activities of approximately RMB2.7 million for the six months ended 30 June 2018, mainly due to the increase in prepayments and other receivables and the decrease in trade and other payables, partially offset by the decrease in trade and bills receivables. Going forward, the Group intends to improve its net operating cash outflow position by enhancing the Group's credit control management of trade and bills receivables and negotiating for better payment terms (i.e. credit period) with its suppliers. Currently, the Group's credit terms offered by Supplier J, one of the Group's top five suppliers for the year ended 31 December 2018 and for the six months ended 30 June 2019, is relatively less favorable to the Group as compared to most major suppliers of the Group. Given that the Group only commenced business relationship with Supplier J in 2018, the Directors believe that the Group could obtain better credit terms from Supplier J in the future when their business relationship continues.

The Group recorded net cash generated from operating activities of approximately RMB46.8 million for the year ended 31 December 2018 as compared to net cash used in operating activities of approximately RMB18.9 million for the year ended 31 December 2017, primarily due to the increase in net profit before income tax and after adjustments of non-cash items by approximately RMB14.2 million and the increase in trade and bills payables and other payables, offset by the increase in trade and bills receivables, the increase in prepayments and other receivables and the increase in inventories.

The Group recorded net cash used in operating activities of approximately RMB18.9 million for the year ended 31 December 2017 as compared to net cash used in operating activities of approximately RMB3.8 million for the year ended 31 December 2016, mainly due to the increase in inventories and the decrease in trade payables and other payables, offset by the decrease in trade and bill receivables.

## LIQUIDITY AND FINANCIAL RESOURCES

The table below sets forth the information regarding current assets, current liabilities, current ratio and gearing ratio as at 31 December 2016, 31 December 2017, 31 December 2018 and 30 June 2019:

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)
Current assets	158,132	123,411	178,940	167,113
Current liabilities	<u>62,094</u>	<u>19,266</u>	<u>48,738</u>	<u>37,595</u>
Net current assets	<u>96,038</u>	<u>104,145</u>	<u>130,202</u>	<u>129,518</u>
Current ratio (times) (note 1)	2.5	6.4	3.7	4.4
Gearing ratio (%) (note 2)	12.8	N/A	N/A	4.1

### Notes:

1. Current ratio is calculated by dividing total current assets by total current liabilities as at the end of the respective period.
2. Gearing ratio is calculated by dividing total debt (payables incurred not in the ordinary course of business) by total equity as at the end of the respective period multiplied by 100%.

As at 31 December 2016, 31 December 2017, 31 December 2018 and 30 June 2019, the Group had net current assets of approximately RMB96.0 million, RMB104.1 million, RMB130.2 million and RMB129.5 million, respectively. As at 31 December 2016, 31 December 2017, 31 December 2018 and 30 June 2019, the Group had bank balances and cash of approximately RMB0.6 million, RMB15.8 million, RMB49.8 million and RMB51.5 million, respectively. The Group's total bank balances and cash increased from approximately RMB15.8 million as at 31 December 2017 to approximately RMB49.8 million as at 31 December 2018, mainly due to the net cash generated from operating activities at the amount of approximately RMB46.8 million for the year ended 31 December 2018, as compared with the net cash used in operating activities at the amount of approximately RMB18.9 million for the year ended 31 December 2017, primarily due to the increase in profit before income tax and the increase in trade and bills payables and other payables during the year ended 31 December 2018. The Group's bank balances and cash remained stable at approximately RMB51.5 million as at 30 June 2019 when compared to approximately RMB49.8 million as at 31 December 2018.

The current ratio of the Group as at 31 December 2017 was approximately 6.4 times as compared to that approximately 2.5 times as at 31 December 2016, primarily due to the decrease in (i) borrowings; and (ii) trade and other payables for the year ended 31 December 2017. The current ratio of the Group as at 31 December 2018 further decreased to approximately 3.7 times, mainly due to the increase of trade and bills payables from approximately RMB11.0 million as at 31 December 2017 to approximately RMB40.3 million as at 31 December 2018. The current ratio of the Group as at 30 June 2019 increased to approximately 4.4 times, mainly due to the decrease of trade and bills payables from approximately RMB40.3 million as at 31 December 2018 to approximately RMB17.6 million as at 30 June 2019.

As at 31 December 2017 and 31 December 2018, the Group did not have any borrowings, bank overdrafts, bank loans and banking facilities. Thus, gearing ratio (which is calculated by dividing total debt (payables incurred not in the ordinary course of business) by total equity) is not applicable for the Group as at 31 December 2017 and 31 December 2018.

During the first half of 2019, the Group has obtained banking facilities of RMB12 million in aggregate for general working capital purpose, including procurement of raw materials, which are repayable within one year. Among such banking facilities, approximately RMB5.7 million banking facilities were utilised by the Group, and the unutilised banking facilities were approximately RMB6.3 million as at the Latest Practicable Date. As at 30 June 2019, the Group's gearing ratio was 4.1%.

## **COMMITMENT**

The contractual commitments of the Group were primarily related to (i) the lease of one property in the PRC from a related party for use as office and factory; and (ii) the acquisition of property, plant and equipment. The Group's operating lease commitments, which were also the lease liabilities according to the HKFRS 16 for the six months ended 30 June 2019, amounted to approximately RMB1.9 million as at 30 June 2019 (31 December 2018: RMB2.4 million; 31 December 2017: RMB2.8 million; 31 December 2016: RMB3.2 million); while the Group's capital commitments amounted to approximately RMB2.8 million as at 30 June 2019 (31 December 2018: RMB1.0 million; 31 December 2017: nil; 31 December 2016: RMB0.8 million).

## **MATERIAL ACQUISITIONS AND DISPOSALS**

The Group did not carry out any material acquisition or disposal of any subsidiary during the Track Record Period and up to the Latest Practicable Date.

## **SIGNIFICANT INVESTMENTS HELD**

Save for investment in its subsidiaries, the Group did not hold any significant investments as at 31 December 2016, 2017, 2018, 30 June 2019, and the Latest Practicable Date.

## **WORKING CAPITAL**

The Directors are of the opinion that, after taking into account the Group's cash generating from the operations and short-term bank borrowings, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this announcement.

## **MATERIAL ADVERSE CHANGE**

As the Group has placed more emphasis on the research and development in relation to the slim LED beads together with the commission of the School of Applied Physics and Material Science of Wuyi University (五邑大學) by the Group to conduct specific research projects for the Group starting in the second half of 2018 as disclosed in the section headed "Business outlook and recent development" in this announcement as well as the proposed Transfer of Listing, the Group recorded an increase in administrative expenses for the six months ended 30 June 2019, mainly attributable to (i) the increase in research and development expenses for the abovementioned research projects; and (ii) the increase in the professional services expenses in connection with the Transfer of Listing, which amounted to approximately RMB5.4 million during the period from 1 January 2019 to 30 June 2019. Save as disclosed above, the Directors confirm that subsequent to 31 December 2018 and up to the date of this announcement, there has been no material adverse change in the financial or trading position or prospects of the Group and there have been no trends or developments which may have a material adverse impact on the Group's business operations or financial performance.

## **BUSINESS OUTLOOK AND RECENT DEVELOPMENT**

The popularity and applications of LED displays are rapidly increasing due to its flexibility in designs, as compared to other lighting solutions. Advantages of LED displays include (i) miniature in size; (ii) longer lifespan; (iii) more energy efficient; (iv) more environmental friendly; and (v) wider colour spectrum.

According to the CIC Report, the total market size of backlight LED products and LED beads in the PRC have increased remarkably in recent years and the total market size of backlight LED products and LED beads in the PRC are expected to increase at a compound annual growth rate of approximately 6.4% and 12.2% from 2018 to 2023, respectively.

In addition, manufacturers of electronic devices are actively developing new products with multiple functions to attract end-users. Numbers of sensors or models are added into these devices, such as under-display fingerprint scanners, 5G modules, new cameras, etc. As a result, the screens have to be thinner and more energy efficient in order to spare enough spaces for these new technologies. LED products, as a significant components of display screens, are expected to be thinner, brighter and lighter in the future.

In light of the above, the Directors expect that the demand for slim LED beads would increase as it is an essential material to the thinner backlight LED products, the Group will continue to adhere to its business strategies and target to expand its customer base and further penetrate the market of LED beads.

In relation to the recent U.S.-China trade war, which commenced in 2018, the Directors are of the view and the Joint Sponsors concur that, since (i) the Group's sales and purchases were only made with PRC customers and PRC suppliers during the Track Record Period except an Australian importer of LED lighting products as disclosed in the paragraph headed "Summary of the Group's Financial Performance — Revenue — LED lighting products"; (ii) according to the CIC Report, during the Track Record Period and up to the Latest Practicable Date, most downstream customers of the Company and its comparable companies were manufacturers of LED backlight products in the PRC and other countries in the Asia Pacific region and most suppliers of the raw materials and components for production of LED beads were located in the PRC and other countries in the Asia Pacific region; and (iii) the Group's business performance in 2018 and the first half of 2019 was stable or better when compared to 2017, the U.S.-China trade war has not caused any material impact, direct or indirect, on the Group's business operation during the Track Record Period and up to the Latest Practicable Date. However, there is a risk that the prolonged trade war may ultimately affect the economic performance of the PRC as a whole, and thus having a negative impact on its customers and its financial performance. For details please refer to the section headed "Material Risks Associated with the Group's Business — Trade war between the U.S. and the PRC may have a negative impact on the Group's financial performance".

In December 2018, the Group's Highly Stable Encapsulated Light-Emitting Diode\* (高穩定性封裝發光二極管) and High Heat Dissipation & Uniform Light LED Lighting Product\* (高散熱性勻光LED燈具) were both certified as Guangdong Province High-tech Product\* (廣東省高新技術產品) by the Guangdong Hi-tech Enterprise Association\* (廣東省高新技術企業協會). Moreover, during 2018, the Group submitted applications for the registration of 10 patents in the PRC and was the registered proprietor of 24 patents in the PRC as at 30 June 2019. To further enhance the Group's research capability, the Group has commissioned the School of Applied



Physics and Materials Science of Wuyi University (五邑大學), one of the top-tier universities in the Guangdong Province, to conduct specific research projects for the Group since the second half of 2018.

During the first half of 2019, the Group has obtained new banking facilities of RMB12.0 million in aggregate for general working capital purpose, including procurement of raw materials, which are repayable within one year. Among such banking facilities, approximately RMB5.7 million banking facilities were utilised by the Group, and the unutilised banking facilities were approximately RMB6.3 million as at the Latest Practicable Date.

Subsequent to the Track Record Period and up to the Latest Practicable Date, the Group has acquired 40 additional LED bead encapsulation machineries and equipment for approximately RMB8.0 million in aggregate.

Since July 2019, the Group has commenced its commercial production of LED beads under a subcontracting arrangement with a new customer, which engages in manufacturing electronic goods and components, whereby the Group is responsible for the design, development and manufacturing of LED beads in accordance with the specifications and requirements requested by such customer, and such customer may, by itself or through its designated third party furnish the Group with raw materials to be used for the production of such LED beads.

There has not been any material change since the GEM Listing Date to the Group's principal business of design, development, manufacturing and sales of LED beads and LED lighting products in the PRC. Since the GEM Listing and up to the date of this announcement, to the best knowledge of the Directors having made all reasonable enquires, there has not been any material changes in the overall economic and market conditions in the industry that would otherwise have materially and adversely affected the Group's business operation or financial conditions.

## **COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS AND USE OF PROCEEDS**

An analysis comparing the business strategies as set out in the Prospectus with the Group's actual business progress together with the utilisation of the net proceeds from the GEM Listing for the period from the GEM Listing Date up to 30 June 2019 is set out below:

<b>Business strategies</b>	<b>Implementation plan</b>	<b>Actual business progress up to 30 June 2019</b>	<b>Use of proceeds</b>
<b>Expansion of the Group's production capacity</b>	— Acquisition of additional LED bead encapsulation machineries and equipment	— The Group has purchased 42 additional LED bead encapsulation machineries and equipment from the GEM Listing up to 30 June 2019	— Intended use of proceeds as stated in the allotment results announcement of the Company dated 29 December 2016 (the "Allotment Results Announcement"): HK\$21.7 million

Business strategies	Implementation plan	Actual business progress up to 30 June 2019	Use of proceeds
	<ul style="list-style-type: none"> <li>— Recruitment of 18 additional production workers for LED bead encapsulation and three additional production workers for LED lighting products assembly lines</li> </ul>	<ul style="list-style-type: none"> <li>— The Group has recruited a total of 18 additional production workers for LED bead encapsulation from the GEM Listing up to 30 June 2019 in the PRC. As there was no additional assembly line for the production of LED lighting products from the GEM Listing up to 30 June 2019, no additional production workers of LED lighting products have been recruited. The management of the Group will consider hiring additional production workers for LED lighting products should the need arise in order to cater for the increase in sales order of LED lighting products.</li> </ul>	<ul style="list-style-type: none"> <li>— Actual use of net proceeds from the GEM Listing Date up to 30 June 2019: HK\$13.4 million</li> </ul>
<p><b>Developing the Group's sales channels</b></p>	<ul style="list-style-type: none"> <li>— Recruitment of three additional sales and marketing staff members with experienced professionals to develop overseas markets and attending various trade fairs in overseas</li> <li>— Recruitment of two additional sales and marketing staff members with experienced professionals to develop PRC markets and attending various trade fairs in the PRC</li> </ul>	<ul style="list-style-type: none"> <li>— The Group has recruited a total of 5 sales and marketing staff for the expansion of its sales channels in the PRC as well as overseas markets. In relation to the plan to develop the Group's sales channels in the PRC market, as mentioned in the section headed "Summary of the Group's financial performance" in this announcement, the Group was able to (i) capture the business opportunities in view of the increasing demand for slim LED beads by placing more emphasis and sales efforts on promoting the slim LED beads to the new and existing customers in the PRC starting from early 2018; and (ii) seek new customers, in particular, manufacturers of LED lighting products in the PRC in relation to the Group's LED lighting products, which as a result recorded a recovery in revenue during the year ended 31 December 2018. In relation to the plan to develop the Group's sales channels in overseas market, since 2018, the Group has started expanding the sales networks to customers located in South Korea, where the Group has established and developed a business relationship with a Korean lighting and backlighting unit producer in Seoul, which is a publicly listed company in Korea Stock Exchange, for sales of the Group's LED beads. As at 30 June 2019, no sales of LED beads has been made by such potential customer. As no suitable trade fairs can be identified, no proceeds had been used for attending various trade fairs. The management of the Group will continue to seek suitable trade fairs to attend</li> </ul>	<ul style="list-style-type: none"> <li>— Intended use of proceeds as stated in the Allotment Results Announcement: HK\$0.8 million</li> <li>— Actual use of net proceeds from the GEM Listing Date up to 30 June 2019: HK\$0.4 million</li> </ul>

<b>Business strategies</b>	<b>Implementation plan</b>	<b>Actual business progress up to 30 June 2019</b>	<b>Use of proceeds</b>
<b>Repayment of bank loans</b>	— For partial repayment of bank loans to reduce the Group's gearing ratio	— The Group has fully repaid all bank loans in 2017 and reduced the Group's gearing ratio	<p>— Use of proceeds as stated in the Allotment Results Announcement: HK\$11.4 million</p> <p>— Actual use of net proceeds from the GEM Listing Date up to 30 June 2019: HK\$11.4 million</p>
<b>General working capital of the Group</b>	— To be used as working capital and funding for other general corporate purposes according to the Group's business plans	— The Group remains focused on maintaining and investing in the Group's working capital to fund the Group's business expansion and to enhance the Group's operating liquidity which facilitate the growth of the Group's business	<p>— Intended use of proceeds as stated in the Allotment Results Announcement: HK\$3.5 million</p> <p>— Actual use of net proceeds from the GEM Listing Date up to 30 June 2019: HK\$3.5 million</p>

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry. As at the Latest Practicable Date, the remaining net proceeds of approximately HK\$0.3 million which had not yet been utilised, is expected to be applied for developing the Group's sales channels in accordance with the purposes set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. The Company did not apply the net proceeds according to the planned schedule as set out in the Prospectus mainly due to the decline in revenue for the year ended 31 December 2017 resulting in the management undertook a more conservative approach in applying its use of proceeds. For the year ended 31 December 2017, there was a decrease in sales orders placed by two major customers, namely Customer A and Customer C, which correspondingly led to a decrease in revenue from the sales of LED beads during the year ended 31 December 2017, as compared to the year ended 31 December 2016. Additionally, in 2017, some of the Group's customers had provided conservative purchase forecasts to the Group for the year 2018. For example, Customer A's and Customer C's forecasted purchase quantities for year 2018 were approximately 39.5% and 45.9% less than their respective actual purchase quantities for year 2017, respectively and Customer F was not able to provide any forecasted purchase quantity for year 2018 despite the Group's requests. In view of the decrease in revenue from sales of LED beads and LED lighting products and conservative purchase forecasts received from some customers in 2017, on one hand, the Company undertook a more conservative approach in applying the proceeds from the GEM Listing, and on the other hand, the Company began to explore and engage in negotiations with potential new customers. The Group had successfully entered into business relationships with a number of new customers in 2018 and during the six months ended 30 June 2019, three and four of which were the Group's top 10 customers for the year ended 31 December 2018 and the six months ended 30 June 2019, respectively.

In light of the substantial improvement on the Group's revenue for the year ended 31 December 2018 and the increasing market demand for its slim LED beads, the Directors consider that it is necessary for the Group to acquire new machineries to increase its production capacity and enhance its production efficiency by using the unutilised proceeds. Since 1 January 2019 and up to 30 June 2019, the Group has acquired 12 additional LED bead encapsulation machineries and equipment of approximately RMB2.8 million in aggregate (equivalent to approximately HK\$3.3 million), which mainly comprised tabletop dispensing robots, LED sorting systems and LED taping systems. Moreover, subsequent to the Track Record Period and up to the Latest Practicable Date, the Group has acquired 40 additional LED bead encapsulation machineries and equipment for approximately RMB8.0 million in aggregate (equivalent to approximately HK\$9.1 million), which has fully utilised proceeds designated for expansion of the Group's production capacity.

In respect of developing the Group's sales channels, as at the Latest Practicable Date, the unutilised proceeds of approximately HK\$0.3 million is expected to be utilised before the end of 2020.

## **COMPETING BUSINESS**

As at the date of this announcement, none of the Directors or Controlling Shareholders or their respective close associates had any interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to Rule 8.10(1) and 8.10(2) of the Main Board Listing Rules.

## **BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT**

The biographical information of each current Director is as follows:

### **Executive Directors**

**Mr. ZHAO Yi Wen (趙奕文)**, aged 49, is the chairman of the Board and the chief executive officer of the Company. He was appointed as Director on 27 May 2015 and was subsequently re-designated as an executive Director on 13 May 2016. He is one of the founders of the Group and is primarily responsible for formulating overall corporate strategies and handling day to day management of the Group. Mr. Zhao is also a director of each of the HongGuang Lighting and HongGuang International and the chairman and legal representative of the Zhuhai HongGuang.

Prior to establishing the Group in May 2010, Mr. Zhao had years of management experience of electronic parts business. During the period between January 2004 and May 2010, Mr. Zhao was employed by the Zhuhai Kedie Digital Technology Co., Ltd.\* (珠海市科碟數碼科技有限公司) which mainly manufactures and sells compact disks in the PRC, as a general manager and was responsible for the overall management of its business operation.

Since 2012, Mr. Zhao has been a director of the Zhuhai Ridong Weiye Technology Company Limited\* (珠海日東偉業科技有限公司), a limited liability company incorporated in the PRC which mainly manufactures and trades Indium Tin Oxide films, where Mr. Zhao is responsible for the overall management of the company. Mr. Zhao attended secondary school education up to year 3 in the PRC.

Mr. Zhao is interested in an aggregate of 300,000,000 Shares under Part XV of the SFO, representing 75% of the total issued Shares, which consist of (i) 100,500,000 Shares held by First Global, a company wholly owned by Mr. Zhao; and (ii) 199,500,000 Shares in which Mr. Zhao is deemed to be interested as a result of being a party acting-in-concert with Mr. Lin and Mr. Chiu.

Mr. Zhao has entered into a service contract with the Company for an initial term of three years commencing from the GEM Listing Date, which will continue thereafter but subject to retirement by rotation and eligible for re-election pursuant to the Articles and the termination provisions of the service contract. Mr. Zhao is entitled to a remuneration of HK\$360,000 per annum, which was determined by the Board on the recommendation of the Remuneration Committee by reference to his duties and responsibilities with the Company, the Company's performance and current market situation.

**Mr. LIN Qi Jian (林啟建)**, aged 41, was appointed as executive Director on 13 May 2016. He is one of the founders of the Group and is primarily responsible for overseeing the overall business operation of the Group. Mr. Lin is also the supervisor and general sales manager of Zhuhai HongGuang.

Mr. Lin has over 17 years of experience in production of electronics components. From 1999 to 2016, Mr. Lin was the chairman of the Zhuhai Special Economic Zone Lijia Electronics Development Company Limited\* (珠海經濟特區利佳電子發展有限公司), a limited liability company incorporated in the PRC which mainly manufactures and sells photosensitive resistors where Mr. Lin is responsible for formulating sales strategies, marketing and customer services. From 2004 to 2015, Mr. Lin was appointed as supervisor of the Zhuhai Kedie Digital Technology Co., Ltd.\* (珠海市科碟數碼科技有限公司), a private company in the PRC, where he was responsible for monitoring the operation of the company. Mr. Lin attended secondary school education up to year 2 in the PRC.

Mr. Lin is interested in an aggregate 300,000,000 Shares under Part XV of the SFO, representing 75% of the total issued Shares, which consist of (i) 100,500,000 Shares held by Star Eagle, a company wholly owned by Mr. Lin; and (ii) 199,500,000 Shares in which Mr. Lin is deemed to be interested as a result of being a party acting-in-concert with Mr. Zhao and Mr. Chiu.

Mr. Lin has entered into a service contract with the Company for an initial term of three years commencing from the GEM Listing Date, which will continue thereafter but subject to retirement by rotation and eligible for re-election pursuant to the Articles and the termination provisions of the service contract. Mr. Lin is entitled to a remuneration of HK\$240,000 per annum, which was determined by the Board on the recommendation of the Remuneration Committee by reference to his duties and responsibilities with the Company, the Company's performance and current market situation.

**Mr. CHAN Wing Kin (陳永健)**, aged 38, was appointed as Director on 27 May 2015 and subsequently re-designated as an executive Director on 13 May 2016. He is also the company secretary and the compliance officer of the Company and the director of HongGuang Lighting and HongGuang Hong Kong. Mr. Chan is primarily responsible for the financial management of the Group.

Mr. Chan obtained a bachelor degree in economics and finance with first class honours from The University of Hong Kong in December 2003 and a master's degree in economics from The University of Hong Kong in December 2004. Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants since January 2012, a certified internal auditor of the Institute of Internal Auditors since March 2012, and a certified fraud examiner of the Association of Certified Fraud Examiners since March 2014.

Mr. Chan has over 14 years of experience in the electronics industrial sector and in the accounting and internal controls sector. Prior to joining the Group, Mr. Chan was a purchasing supervisor in the Jetcrown Industrial (Dongguan) Limited from September 2004 to April 2008 and was responsible for monitoring the daily purchasing operations and staff recruitment of the company. From July 2008 to April 2010, Mr. Chan was an accountant in KPMG, where he had assisted in a number of audit assignments for a number of major corporate clients of KPMG. In April 2010, Mr. Chan joined Deloitte Touche Tohmatsu as an analyst of the Enterprise Risk Services Department. He was subsequently promoted to the position of manager before his resignation in February 2015. During his term of employment in Deloitte Touche Tohmatsu, Mr. Chan participated in internal controls, risk management and corporate governance advisory projects.

Mr. Chan has entered into a service contract with the Company for an initial term of three years commencing from the GEM Listing Date, which will continue thereafter but subject to retirement by rotation and eligible for re-election pursuant to the Articles and the termination provisions of the service contract. Mr. Chan is entitled to a remuneration of HK\$738,000 per annum, which was determined by the Board on the recommendation of the Remuneration Committee by reference to his duties and responsibilities with the Company, the Company's performance and current market situation.

### **Non-executive Directors**

**Mr. CHIU Kwai San (趙桂生)**, aged 56, was appointed as non-executive Director on 13 May 2016. He is primarily responsible for monitoring the executive activities and providing strategic advice to the Group. Mr. Chiu is also a director of each of HongGuang International and HongGuang Hong Kong and the vice chief director of Zhuhai HongGuang.

Mr. Chiu has over 17 years of experience in trading, sales and management. Mr. Chiu has been a director of Success Royal Limited, a private company incorporated in Hong Kong in 2003 which mainly manufactures ink and glue, etc., where Mr. Chiu is responsible for managing the operation of the company. Mr. Chiu attended secondary school education up to year 3 in the PRC.

Mr. Chiu is interested in an aggregate of 300,000,000 Shares, representing 75% of the total issued Shares, which consist of (i) 99,000,000 Shares held by Bigfair Enterprises, a company wholly owned by Mr. Chiu; and (ii) 201,000,000 Shares in which Mr. Chiu Kwai San is deemed to be interested as a result of being a party acting-in-concert with Mr. Zhao and Mr. Lin.

Mr. Chiu has entered into a service contract with the Company for an initial term of two years commencing from 2 December 2016, which will continue thereafter but subject to retirement by rotation and eligible for re-election pursuant to the Articles and the termination provisions of the service contract. Mr. Chiu will be entitled to a remuneration of HK\$120,000 per annum, which was determined by the Board on the recommendation of the Remuneration Committee by reference to his duties and responsibilities with the Company, the Company's performance and current market situation.

## **Independent non-executive Directors**

**Professor CHOW Wai Shing, Tommy (周偉誠)**, aged 60, was appointed as independent non-executive Director on 2 December 2016 and is responsible for providing independent advice to the Board. Prof. Chow is also a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee.

Prof. Chow obtained his bachelor degree of science in electrical and electronic engineering with first class honours from the Sunderland Polytechnic (currently known as the University of Sunderland) in the United Kingdom in June 1984 and a doctoral degree of philosophy for his research in the electrical engineering field from the same university in April 1988. Since 2000, Prof. Chow has been a professor of the Department of Electronic Engineering of the City University of Hong Kong.

Prof. Chow had served over the years as (i) the chairman and member of a number of committees of the Hong Kong Institution of Engineers (“HKIE”); (ii) as a member of the CAI discipline advisory panel of HKIE; and (iii) as a professional assessment assessor for HKIE. During the period between 1998 and 2004, Prof. Chow served as a member of the Electronics & Communication Industry Safety & Health Committee of the Occupational Safety & Health Council. Prof. Chow was also a member of the Public Affairs Forum of the Hong Kong Government.

Prof. Chow has entered into a letter of appointment with the Company for a term of two years commencing from 2 December 2018, subject to retirement by rotation and eligible for re-election pursuant to the Articles and the termination provisions of the letter of appointment. Prof. Chow is entitled to a remuneration of HK\$120,000 per annum, which was determined by the Board on the recommendation of the Remuneration Committee by reference to his duties and responsibilities with the Company, the Company’s performance and current market situation.

**Mr. WU Wing Kuen, B.B.S. (胡永權)**, aged 62, was appointed independent non-executive Director on 2 December 2016 and is responsible for providing independent advice to the Board. Mr. Wu is also a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee.

Mr. Wu has over 25 years of experience in real estate investment. He has been the director of the Jet View Investment Limited since December 1991 and the director of the Jade Mind Investment Limited since October 2004. Both companies mainly invest in real estate.

Mr. Wu was awarded a Bronze Bauhinia Star from the HKSAR Government in July 2012. Mr. Wu is also currently a voting member of the Hong Kong Jockey Club and the president of the Sha Tin District Community Fund. Mr. Wu had also served the



community under various other positions in the past. He was a member of the Sha Tin District Fight Crime Committee, a member of the Appeal Tribunals Panel of the Planning and Lands Branch of the Development Bureau of the HKSAR Government.

Mr. Wu has been an independent non-executive director of (i) Nanfang Communication Holdings Limited, a company listed on the Main Board (stock code: 1617) since November 2016; (ii) Million Cities Holdings Limited, a company listed on the Main Board (stock code: 2892) since June 2018; (iii) Food Idea Holdings Limited, a company listed on the GEM (stock code: 8179) since January 2019; and (iv) EFT Solutions Holdings Limited, a company listed on GEM (stock code: 8062) since March 2019.

Mr. Wu has entered into a letter of appointment with the Company for a term of two years commencing from 2 December 2018, subject to retirement by rotation and eligible for re-election pursuant to the Articles and the termination provisions of the letter of appointment. Mr. Wu is entitled to a remuneration of HK\$120,000 per annum, which was determined by the Board on the recommendation of the Remuneration Committee by reference to his duties and responsibilities with the Company, the Company's performance and current market situation.

**Mr. CHAN Chung Kik, Lewis (陳仲戟)**, aged 46, was appointed as independent non-executive Director on 2 December 2016 and is responsible for providing independent advice to the Board. Mr. Chan is also the chairman of each of the Audit Committee, the Remuneration Committee and the Nomination Committee.

Mr. Chan obtained a bachelor degree of commerce in accounting from the University of Canberra in Australia in September 1997. He is currently a fellow of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. Mr. Chan has more than 21 years of experience in auditing, accounting and corporate finance. Mr. Chan has become the chief financial officer and the joint company secretaries of Denox Environmental & Technology Holdings Limited, a company listed on the Main Board (stock code: 1452) in April and May 2015, respectively.

Mr. Chan has also been the independent non-executive director of (i) Kwan On Holdings Limited between March 2015 and September 2016, a company which was previously listed on GEM (stock code: 8305) and was subsequently transferred to the Main Board (stock code: 1559) on 15 August 2016; (ii) Shandong Xinhua Pharmaceutical Company Limited between May 2014 and June 2018, a company listed on the Main Board (stock code: 719) and the Shenzhen Stock Exchange (stock code: 000756); (iii) Founder Holdings Limited, a company listed on the Main Board (stock code: 418) since March 2017; (iv) Peking University Resources (Holdings) Company Limited, a company listed on the Main Board (stock code: 618) since March 2017; (v)

Wing Chi Holdings Limited, a company listed on the Main Board (stock code: 6080) since September 2017; and (vi) Eternity Technology Holdings Limited, a company listed on the Main Board (stock code: 1725) since July 2018.

Mr. Chan has entered into a letter of appointment with the Company for a term of two years commencing from 2 December 2018, subject to retirement by rotation and eligible for re-election pursuant to the Articles and the termination provisions of the letter of appointment. Mr. Chan is entitled to a remuneration of HK\$120,000 per annum, which was determined by the Board on the recommendation of the Remuneration Committee by reference to his duties and responsibilities with the Company, the Company's performance and current market situation.

Save as disclosed above, as at the date of this announcement, each of the Directors (i) has not held any other position within the Group and has not held any directorships in any other listed companies in Hong Kong or overseas in the last three years; and (ii) does not have any interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations required to be disclosed pursuant to Part XV of the SFO. Each of the Directors has no relationships with any other Directors, members of senior management or substantial shareholders of the Company.

Save as disclosed above, there is no other information in relation to each of the Directors which needs to be brought to the attention of the Shareholders or is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Main Board Listing Rules and there are no other matters that need to be brought to the attention of the Shareholders.

### **Senior Management**

The biographical information of each current member of senior management of the Company is as follows:

**Ms. QI Xiang Ling (綦香玲)**, aged 49, is the financial controller and company secretary of Zhuhai HongGuang. Ms. Qi joined the Group in August 2010. She is mainly responsible for supervising financial reporting, corporate finance, treasury, tax and other financial related matters of the Group. Ms. Qi obtained certificate of Accounting Profession issued by the Ministry of Finance of the PRC in August 2002.

Prior to joining the Group, Ms. Qi worked as an accountant at the Zhuhai Yuntian Dianqi Co., Ltd.\* (珠海雲田電器有限公司) from January 2005 to December 2005. From June 2006 to August 2010, she worked as the finance manager of the Zhuhai City Jiajule Zhuangshi Cailiao Company Limited\* (珠海市家居樂裝飾材料有限公司).

**Mr. XU Jian Hui (許建輝)**, aged 62, is a director of Zhuhai HongGuang. Mr. Xu joined the Group as a general manager of Zhuhai HongGuang in March 2011 and was subsequently appointed as director of the same company in November 2014. Mr. Xu is primarily responsible for daily operation, administrative and productions management of Zhuhai HongGuang. Mr. Xu obtained an assistant engineer practicing certificate from the Engineering Technology Professional Title Committee of Shantou Electronic Industry Corporation\* (汕頭市電子工業總公司工程技術初級職務評審委員會) in December 1995.

Prior to joining the Group, during the period between May 1987 and June 1997, Mr. Xu was the business plan coordinator at the Shantou Metallic Material Corporation\* (汕頭市金屬材料總公司), where he was responsible for the resources coordination and management in the company. From June 1997 to July 2002, he worked as a clerk at the Shantou Kexin Development Corporation\* (汕頭市科信發展總公司), where he was responsible for the daily administration of the company. From June 2003 to July 2008, Mr. Xu worked as the deputy general manager at the Jieyang Dong Huang Culture Development Limited\* (揭陽東煌文化發展有限公司), where he was primarily responsible for the administration and production management of the company. From October 2008 to April 2010, he worked as the deputy general manager at Zhuhai Special Economic Zone Hai Na Laser Manufacture Limited\* (珠海經濟特區海納激光制作有限公司), where he was primarily responsible for the production management of the company.

Save as disclosed above, as at the date of this announcement, each of the members of senior management of the Company (i) has not held any other position within the Group and has not held any directorships in any other listed companies in Hong Kong or overseas in the last three years; and (ii) does not have any interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations required to be disclosed pursuant to Part XV of the SFO. Each of the members of senior management of the Company has no relationships with any other Directors, members of senior management or substantial shareholders of the Company.

Save as disclosed above, there is no other information in relation to each of the members of senior management of the Company which needs to be brought to the attention of the Shareholders or is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Main Board Listing Rules and there are no other matters that need to be brought to the attention of the Shareholders.

There is no change in the Directors and senior management of the Company since the GEM Listing and up to the date of this announcement.

## **Board Diversity Policy**

The Company has adopted a board diversity policy which sets out the approach to achieve diversity on the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The nomination committee of the Board will review the implementation of the board diversity policy annually and make recommendations to the Board on the appointment, re-election and succession planning of Directors.

For the purpose of implementation of the board diversity policy, the Board intends to enhance gender diversity (female representation) on the Board. The Board will take opportunity to increase the proportion of female members over time when selecting and making recommendation on suitable candidates for Board appointments. The Board would ensure that appropriate balance of gender diversity is achieved with reference to stakeholders' expectation and international and local recommended best practices, with the ultimate goal of bringing the Board to gender parity. The Group targets to recruit (or by internal promotion) at least one female director to the Board by 31 December 2022.

## **WAIVER FROM STRICT COMPLIANCE WITH RULE 8.12 OF THE MAIN BOARD LISTING RULES**

The Company has sought a waiver from strict compliance with Rule 8.12 of the Main Board Listing Rules in relation to the Transfer of Listing.

Pursuant to Rule 8.12 of the Main Board Listing Rules, a new applicant applying for primary listing on the Stock Exchange must have sufficient management presence in Hong Kong, which normally means that at least two of its executive Directors must be ordinarily residents in Hong Kong.

The Group applied to the Stock Exchange for a waiver from strict compliance with the requirements under Rule 8.12 of the Main Board Listing Rules and the Stock Exchange has granted such waiver based on the following reasons and grounds:

1. the principal business operations of the Group are primarily located, managed and conducted in the PRC;
2. save for Mr. Chan Wing Kin, an executive Director, all other management members are and will continue to be based in the PRC;

3. it would be more effective and efficient for most of the executive Directors and the senior management to remain based in PRC where the Group has significant operations; and
4. it would not be in the best interests of the Group and the Shareholders as a whole to additionally appoint an additional executive Director who is ordinarily resident in Hong Kong but does not fully understand or familiarise with the business operations, activities and development for the sole purpose of satisfying the requirements of Rule 8.12 of the Main Board Listing Rules.

In view of the above, the Company does not and may not in the foreseeable future have two executive Directors residing in Hong Kong for the purposes of satisfying the requirement under Rule 8.12 of the Main Board Listing Rules.

Nevertheless, in accordance with the guidance letter (HKEx-GL9-09) issued by the Stock Exchange, the Company has put in place the following measures to ensure that regular and effective communication is maintained between the Stock Exchange and the Company:

1. the Company has appointed two authorised representatives pursuant to Rule 5.24 of the GEM Listing Rules (the “Authorised Representatives”), who have acted and will continue to act as the Company’s principal channel of communication with the Stock Exchange after the Transfer of Listing. The two Authorised Representatives are Mr. Zhao Yi Wen and Mr. Chan Wing Kin. Mr. Chan Wing Kin is an ordinarily resident in Hong Kong. Each of the Authorised Representatives will be readily contactable by their respective mobile phone number, office phone number, e-mail address and facsimile number (if available). Each of the two Authorised Representatives has been duly authorised to communicate on behalf of the Company with the Stock Exchange. The Company will keep the Stock Exchange up to date in respect of any change to such details;
2. both of the Authorised Representatives will have means to contact all members of the Board (including the non-executive Director and independent non-executive Directors) and of the senior management team promptly at all times as and when the Stock Exchange wishes to contact the Directors and senior management team for any matters;
3. to enhance the communication between the Stock Exchange, the Authorised Representatives and the Directors, the Company has implemented a policy whereby (a) each Director will have to provide his/her respective mobile phone numbers, office phone numbers, fax numbers (if available) and email addresses to the Authorised Representatives; (b) each Director will endeavour to provide valid phone number or means of communication to the Authorised Representatives when

he/she is traveling; and (c) each Director will provide his/her mobile phone numbers, office phone numbers, fax numbers (if available) and email addresses to the Stock Exchange;

4. the Company will promptly inform the Stock Exchange of any changes on the Authorised Representatives in accordance with the requirements of the Main Board Listing Rules;
5. if circumstances require, meetings of the Board can be summoned and held in such manner as permitted under the Articles at short notice to discuss and address any issue which the Stock Exchange is concerned in a timely manner;
6. the Company will appoint professional advisers (including its legal advisers in Hong Kong), if necessary, after the Transfer of Listing to assist the Company in addressing any enquiries which may be raised by the Stock Exchange and to ensure that there will be prompt and effective communication with the Stock Exchange;
7. each of the Directors (including the non-executive Director and independent non-executive Directors) who is not ordinarily resident in Hong Kong possesses or is able to apply for valid travel documents to visit Hong Kong and will be able to meet with the relevant members of the Stock Exchange within a reasonable period of time, when required.

In light of the above arrangements, the Company believes that all members of the Board can be promptly informed of any matters raised by the Stock Exchange and that there is an effective communication channel with the Stock Exchange.

## EMPLOYEES

The following table sets forth the number of the Group's employees by job functions and geographical locations as at 31 December 2016, 31 December 2017, 31 December 2018 and 30 June 2019:

Job function	As at 31 December			As at
	2016	2017	2018	30 June 2019
<b><i>PRC</i></b>				
Engineering	5	5	5	6
Managerial, administrative and accounts	17	15	16	16
Sales and marketing	19	14	14	15
Procurement and inventory	10	8	11	8
Production	43	51	51	56
Quality control	9	13	15	13
Research and development	7	7	8	8
<b><i>Hong Kong</i></b>				
Managerial, administrative and accounts	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
<b>Total</b>	<u><u>111</u></u>	<u><u>114</u></u>	<u><u>121</u></u>	<u><u>123</u></u>

## DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for viewing on the respective websites of the Company at [www.lighting-hg.com](http://www.lighting-hg.com) and of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk):

- (a) the Articles;
- (b) the third quarterly report of the Company for the nine months ended 30 September 2018;

- (c) the Directors' report and annual report of the Company for the year ended 31 December 2018;
- (d) the circulars of the Company dated 29 March 2018 and 29 March 2019 in relation to general mandates to repurchase and issue shares, proposed re-election of the retiring directors and notice of annual general meeting;
- (e) the first quarterly report of the Company for the three months ended 31 March 2019;
- (f) the interim report of the Company for the six months ended 30 June 2019;
- (g) the supplemental announcement of the Company dated 15 October 2019 in relation to the annual report for the year ended 31 December 2018 and the interim report for the six months ended 30 June 2019; and
- (h) announcements and other corporate communications made by the Company prior to the date of this announcement as required under GEM Listing Rules and the Main Board Listing Rules.

## DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Articles”	the memorandum and articles of association of the Company in effect from time to time
“Audit Committee”	the audit committee of the Board
“Bigfair Enterprises”	Bigfair Enterprises Limited, a company incorporated in BVI on 2 January 2015 with limited liability, which is wholly-owned by Mr. Chiu and is a Controlling Shareholder
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Operational Procedures”	the operation procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force



“CIC”	灼識企業管理諮詢(上海)有限公司 (China Insights Consultancy Limited*), an industry consultant engaged by the Company which is an Independent Third Party
“CIC Report”	the industry research report commissioned by the Group for a fee of RMB250,000 and prepared by CIC relating to, amongst others, the industry of backlight LED products and LED beads in the PRC for use in this announcement
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Company”	HongGuang Lighting Holdings Company Limited (宏光照明控股有限公司), a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are currently listed on GEM
“Concert Parties Confirmatory Deed”	the confirmatory deed dated 8 June 2016 entered into by Mr. Lin, Mr. Zhao and Mr. Chiu whereby they acknowledged and confirmed, among other things, that they are parties acting in concert in relation to the Group and thus, Mr. Lin, Mr. Zhao and Mr. Chiu and the companies wholly owned by them for holding the Shares, namely, First Global, Star Eagle and Bigfair Enterprises respectively are the Controlling Shareholders which are collectively interested in and entitled to exercise control an aggregate of 75% of the Company’s issued share capital as at the date of this announcement
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Main Board Listing Rules and in the context of the Company and for the purpose of this announcement, means a group of Shareholders consisting of Mr. Lin, Mr. Zhao, Mr. Chiu and the companies wholly owned by them for holding the Shares, namely First Global, Star Eagle and Bigfair Enterprises respectively and each of them is a Controlling Shareholder pursuant to the Concert Parties Confirmatory Deed
“Director(s)”	the director(s) of the Company
“EIT”	enterprise income tax

“EIT Law”	Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法)
“First Global”	First Global Limited, a company incorporated in BVI on 2 January 2015 with limited liability, which is wholly-owned by Mr. Zhao and is a Controlling Shareholder
“GEM”	GEM of the Stock Exchange
“GEM Listing”	the listing of Shares on GEM
“GEM Listing Date”	30 December 2016, on which dealings in the Shares first commenced on GEM
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HongGuang Hong Kong”	HongGuang Lighting (Hong Kong) Holdings Limited (宏光照明(香港)控股有限公司), a company incorporated in Hong Kong on 31 October 2014 with limited liability and an indirect wholly-owned subsidiary of the Company
“HongGuang International”	HongGuang Lighting (International) Limited (宏光照明(國際)有限公司), a company incorporated in BVI on 16 April 2010 with limited liability and a direct wholly-owned subsidiary of the Company
“HongGuang Lighting”	HongGuang Lighting Group Company Limited (宏光照明集團有限公司), a company incorporated in BVI on 8 June 2015 with limited liability and a direct wholly-owned subsidiary of the Company
“Independent Third Party(ies)”	party or parties that is or are not connected person(s) of the Company within the meaning of the Listing Rules

“Latest Practicable Date”	27 October 2019, being the latest practicable date for the purpose of ascertaining certain information contained in this announcement
“LCD(s)”	liquid crystal display(s)
“LED”	light-emitting diode, which is a semi-conductor light source, used for lighting and illumination in diverse applications as mobile phones, computers, television sets, traffic lights, lamps, street lights
“Lego Corporate Finance”	Lego Corporate Finance Limited (力高企業融資有限公司), a licensed corporation under the SFO permitted to carry out type 6 (advising on corporate finance) regulated activity under the SFO
“Listing Rules”	collectively, the Main Board Listing Rules and the GEM Listing Rules
“Main Board”	the securities market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) which continues to be operated by the Stock Exchange in parallel with GEM, and for the avoidance of doubt, it does not include GEM for the purpose hereof
“Main Board Listing Rules”	the Rules Governing the Listing of Securities on the Main Board
“Mr. Chiu”	Mr. Chiu Kwai San (趙桂生), a non-executive Director and a Controlling Shareholder
“Mr. Lin”	Mr. Lin Qi Jian (林啟建), an executive Director and a Controlling Shareholder
“Mr. Zhao”	Mr. Zhao Yi Wen (趙奕文), an executive Director, the chairman of the Board, the chief executive officer of the Company and a Controlling Shareholder
“Nomination Committee”	the nomination committee of the Board

“Octal Capital”	Octal Capital Limited (八方金融有限公司), a licensed corporation under the SFO permitted to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
“PRC” or “China”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the Company’s prospectus dated 16 December 2016 in relation to the GEM Listing
“Remuneration Committee”	the remuneration committee of the Board
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of nominal value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of issued Share(s)
“Share Option Scheme”	the share option scheme approved and adopted by the Company on 2 December 2016
“Star Eagle”	Star Eagle Enterprises Limited, a company incorporated in BVI on 2 January 2015 with limited liability, which is wholly-owned by Mr. Lin and is a Controlling Shareholder
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Track Record Period”	the three years ended 31 December 2018 and the six months ended 30 June 2019
“Transfer of Listing”	the transfer of listing of the Shares from GEM to the Main Board
“U.S.”	the United States of America

“Zhuhai HongGuang”

珠海宏光照明器材有限公司 (Zhuhai HongGuang Lighting Fixture Company Limited\*), a limited liability company established in the PRC on 10 May 2010 and an indirect wholly-owned subsidiary of the Company

“%”

per cent.

By order of the Board

**HongGuang Lighting Holdings Company Limited**

**Zhao Yi Wen**

*Chairman and Executive Director*

Hong Kong, 4 November 2019

*As at the date of this announcement, the Executive Directors are Mr. Zhao Yi Wen, Mr. Lin Qi Jian and Mr. Chan Wing Kin; the Non-executive Director is Mr. Chiu Kwai San; and the Independent Non-executive Directors are Professor Chow Wai Shing, Tommy, Mr. Wu Wing Kuen, B.B.S. and Mr. Chan Chung Kik, Lewis.*

*This announcement, for which all the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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, (i) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; and (ii) there are no other matters the omission of which would make any statement herein or in this announcement misleading.*

*This announcement will remain on the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) and on the “Latest Listed Company Information” page for at least seven days from the date of its posting. This announcement will also be published on the Company’s website at [www.lighting-hg.com](http://www.lighting-hg.com).*

\* For identification purpose only