宏光

CHINA HONGGUANG HOLDINGS LIMITED
中國宏光控股有限公司

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 8646

SHARE OFFER

Sole Sponsor

東興證券(香港)
DONGXING SECURITIES (HONG KONG)

Joint Bookrunners and Joint Lead Managers

一盈證券有限公司
I WIN SECURITIES LTD.

千里碩
ELSTONE

If you are in any doubt about any of the contents of this Prospectus, you should seek independent professional advice.

宏光

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

(Incorporated in the Cayman Islands with limited liability)

LISTING ON GEM OPERATED BY THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF SHARE OFFER

Number of Offer Shares	:	**75,000,000 Shares (subject to the Offer Size Adjustment Option)**
Number of Public Offer Shares	:	**7,500,000 Shares (subject to reallocation)**
Number of Placing Shares	:	**67,500,000 Shares (subject to reallocation and the Offer Size Adjustment Option)**
Offer Price	:	**Not more than HK$0.89 per Offer Share and expected to be not less than HK$0.77 per Offer Share, (payable in full on application in Hong Kong dollars and subject to refund, plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%)**
Nominal value	:	**HK$0.01 per Share**
Stock code	:	**8646**

Sole Sponsor

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DONGXING SECURITIES (HONG KONG)

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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

A copy of this Prospectus, having attached thereto the documents specified in "Appendix V — Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection," has been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance. The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this Prospectus or any other document referred to above.

The Offer Price is expected to be determined by an agreement to be entered into between the Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or around Monday, 6 January 2020 or such later date as may be agreed between the parties. The Offer Price will not be more than HK$0.89 per Offer Share and is currently expected to be not less than HK$0.77 per Offer Share unless otherwise announced. The Joint Bookrunners may, with our consent, reduce the indicative Offer Price range and/or the number of Offer Shares stated in this Prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. If this occurs, notice of reduction of the indicative Offer Price range and/or the number of Offer Shares will be published on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.hongguang.hk**. If the Joint Bookrunners (for themselves and on behalf of the Underwriters) and the Company are unable to reach an agreement on the Offer Price by Tuesday, 7 January 2020, the Share Offer will not proceed and will lapse.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States and may not be offered, sold, pledged or transferred within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable U.S. securities law.

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this Prospectus, including the risk factors set out in "Risk Factors" in this Prospectus.

Prospective investors of the Share Offer should note that the Joint Bookrunners (for themselves and on behalf of the other Public Offer Underwriters) are entitled to terminate the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement by means of a notice in writing given to the Company by the Joint Bookrunners (for themselves and on behalf of the other Public Offer Underwriters) upon the occurrence of any of the events set forth in "Underwriting — Underwriting Arrangements and Expenses — The Public Offer — Grounds for termination" in this Prospectus, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Should the Joint Bookrunners (for themselves and on behalf of the other Public Offer Underwriters) terminate the Public Offer Underwriting Agreement, the Share Offer will not proceed and will lapse. Further details of these termination provisions are set out in "Underwriting" in this Prospectus. It is important that prospective investors refer to that section for further details.

31 December 2019

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

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspaper. Accordingly, prospective investors should note that they need to have access to the Stock Exchange's website at ***www.hkexnews.hk*** *in order to obtain up-to-date information on GEM-listed issuers.*

If there is any change in the following expected timetable of the Share Offer, we will issue an announcement in Hong Kong to be posted on the website of the Company at **www.hongguang.hk** and the website of the Stock Exchange at **www.hkexnews.hk**.

	Date[(1)]
The Public Offer commences	09:00 a.m. on Tuesday, 31 December 2019
Latest time for completing electronic applications under **White Form eIPO** service through the designated website at **www.eipo.com.hk**[(2)]	11:30 a.m. on Monday, 6 January 2020
Application lists of the Public Offer open[(3)]	11:45 a.m. on Monday, 6 January 2020
Latest time for lodging **WHITE** and **YELLOW** Application Forms and to give **electronic application instructions** to HKSCC[(4)]	12:00 noon on Monday, 6 January 2020
Latest time for completing payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Monday, 6 January 2020
Application lists of the Public Offer close[(3)]	12:00 noon on Monday, 6 January 2020
Expected Price Determination Date[(5)]	Monday, 6 January 2020
Announcement of: (i) the Offer Price; (ii) the level of indications of interest in the Placing; (iii) the level of applications in the Public Offer; (iv) the basis of allotment of the Public Offer Shares; and (v) the number of Offer Shares reallocated, if any, between the Public Offer and the Placing to be published on the website of the Company at **www.hongguang.hk** and the website of the Stock Exchange at **www.hkexnews.hk**	Friday, 10 January 2020
Results of allocation in the Public Offer will be available at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment)** with a "search by ID" function from	Friday, 10 January 2020
Despatch/collection of share certificates or deposit of the share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Public Offer on or before[(6)]	Friday, 10 January 2020

Despatch/collection of **White Form e-Refund** payment instructions/refund cheques in respect of wholly or partially successful applications if the Offer Price is less than the price payable on application (if applicable) or wholly or partially unsuccessful applications pursuant to the Public Offer on or before(7) to (13) . . . . .Friday, 10 January 2020

Dealings in the Shares on GEM to commence at . . . . .9:00 a.m. on Monday, 13 January 2020

Notes:

1. All dates and times refer to Hong Kong local dates and times, except as otherwise stated. Details of the structure of the Share Offer, including its conditions, are set out in "Structure and Conditions of the Share Offer" in this Prospectus. If there is any change in this expected timetable, an announcement will be published on the website of the Stock Exchange of **www.hkexnews.hk** and of our Company at **www.hongguang.hk**.

2. You will not be permitted to submit your application to the **White Form eIPO** Service Provider through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

3. If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 6 January 2020, the application lists will not open or close on that day. Further information is set forth in "How to Apply for the Public Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists" in this Prospectus.

4. Applicants who apply for the Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to "How to Apply for the Public Offer Shares — 6. Applying by Giving **Electronic Application Instructions** to HKSCC via CCASS" in this Prospectus.

5. The Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about Monday, 6 January 2020. If, for any reason, the Offer Price is not agreed between the Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) by Tuesday, 7 January 2020, the Share Offer will not proceed and will lapse.

6. Share certificates for the Offer Shares are expected to be issued on Friday, 10 January 2020 but will only become valid certificates of title at 8:00 a.m. on Monday, 13 January 2020 provided that: (i) the Share Offer has become unconditional in all respects; and (ii) neither of the Underwriting Agreements has been terminated. If the Public Offer does not become unconditional or either of the Underwriting Agreements is terminated, we will make an announcement as soon as possible.

7. Refund cheques/e-Refund payment instructions will be issued in respect of wholly or partially unsuccessful applications, and in respect of successful applications if the Offer Price as finally determined is less than the price payable on application. Refund by cheque(s) will be made out to you, or if you are joint applicants, to the first-named applicant on your Application Form. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant provided by you may be printed on your refund cheque, if any. Such data may also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque, if any. Inaccurate completion of your Hong Kong identity card number/passport number may lead to a delay in encashment of, or may invalidate, your refund cheque.

8. None of the Company's website or any of the information contained in the Company's website forms part of this Prospectus.

9. Applicants who have applied for 1,000,000 Public Offer Shares or more on **WHITE** Application Form(s) or through the **White Form eIPO** service and have provided all information required may collect their refund cheques (where relevant) and/or share certificates (where relevant) personally from our Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 10 January 2020 or any other day as announced by us as the date of despatch of share certificates/refund cheques. Individuals who are eligible for personal collection must not authorize any other person(s) to make collection on their behalf. Corporate applicants which are eligible for personal collection must attend by their authorized representative(s) bearing a letter of authorization from such corporation(s) stamped with the corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited.

10. Applicants who have applied for 1,000,000 Public Offer Shares or more on **YELLOW** Application Forms and have provided all information required may collect their refund cheques, if any, in person but may not collect their share certificates personally as such share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participants' stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

11. Applicants who have applied through the **White Form eIPO** service and paid their application monies through single bank accounts may have refund monies (if any) despatched to the bank account in the form of e-Refund payment instructions. Applicants who have applied through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions in the form of refund cheques by ordinary post and at their own risk.

12. Uncollected share certificates and refund cheques (if any) will be despatched by ordinary post and at the applicant's own risk to the address specified in the relevant Application Form. For more information, applicants should refer to "How to Apply for the Public Offer Shares — 14. Despatch/Collection of Share Certificates and Refund Monies" in this Prospectus.

13. Particulars of the structure of the Share Offer, including the conditions thereto, are set out in "Structure and Conditions of the Share Offer" in this Prospectus. Details relating to how to apply for the Public Offer Shares are set out in "How to Apply for the Public Offer Shares" in this Prospectus.

This Prospectus is issued by us solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Offer Shares offered by this Prospectus. This Prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances.

You should rely only on the information contained in this Prospectus to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this Prospectus. Any information or representation not made in this Prospectus must not be relied on by you as having been authorized by the Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, employees, agents or professional advisers or any other person or party involved in the Share Offer. The contents of the Company's website at ***www.hongguang.hk*** *do not form part of this Prospectus.*

This summary aims to give you an overview of the information contained in this Prospectus. As it is a summary, it does not contain all of the information that may be important to you. You should read this Prospectus in its entirety before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in "Risk Factors" in this Prospectus. You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used in this summary are defined in "Definitions" of this Prospectus.

OVERVIEW

We primarily engage in the manufacture and sale of architectural glass products, including energy-efficient safety glass products and smart glass product, in Southern China. Our architectural glass products can be processed into glazing materials used in constructing various architectural features, such as curtain wall installation and erection of internal partitions. In addition, our products can be further processed into optical lenses and screen protector. During the Track Record Period, we marketed and sold our products to our customers in China, which are the end-users of our products in the construction, construction material including construction material produced by glass manufacturers, optical and other industries and one trading company located in Jiangsu Province. By offering a wide array of architectural glass products, we are able to cater to a variety of customer requirements and specifications.

Our Business Model and Products

During the Track Record Period, we generated revenue from the sale of architectural glass products. We principally offer the following two categories of architectural glass products under our own "Hong Guang (宏光)" brand:

(i) energy-efficient safety glass products, including coated glass, insulating glass, laminated glass and tempered glass; and

(ii) smart glass product, namely dimming glass.

For details of our products, see "Business — Our Business Model and Products" in this Prospectus.

Our energy-efficient safety glass products may be used to construct various architectural features. Our smart glass product is widely installed in external and internal settings where a degree of privacy is usually desirable. For the years ended 31 December 2017 and 2018 and the six months ended 30 June 2019, the average selling price of our energy-efficient safety glass products was RMB71.1 per m^2, RMB63.7 per m^2 and RMB62.6 per m^2, respectively; the average selling price of our smart glass product was RMB1,736.1 per m^2, RMB1,761.4 per m^2 and RMB1,574.2 per m^2, respectively.

The table below sets forth the components of our sales volume and average selling price by product for the periods indicated:

	Year ended 31 December				Six months ended 30 June			
	2017		2018		2018		2019	
	Sales volume	Average selling price per m²	Sales volume	Average selling price per m²	Sales volume	Average selling price per m²	Sales volume	Average selling price per m²
	m²	*RMB*	*m²*	*RMB*	*m²*	*RMB*	*m²*	*RMB*
Coated glass	692,895	64.4	1,379,943	45.3	396,154	54.0	840,443	40.4
Insulating glass	254,888	110.3	297,371	133.8	177,141	137.6	411,040	104.1
Laminated glass	70,167	164.5	58,516	170.1	24,349	190.2	43,963	150.7
Tempered glass	393,050	40.9	91,155	44.4	60,705	38.6	149,075	47.6
Smart glass product	10,126	1,736.1	20,556	1,761.4	10,210	1,610.7	5,586	1,574.2

The fluctuations of the average selling price of our products were mainly attributable to the changes in product mix including but not limited to the thickness of our products and partly attributable to the market competition which slightly influenced the pricing of our products. The decrease in the average selling price of coated glass during the Track Record Period was mainly due to an increase in the proportion of our sales volume of thinner coated glass (less than 5 mm), which has a lower selling price. The decrease in the average selling price of insulating glass for the six months ended 30 June 2019 was mainly due to an increase in the proportion of our sales volume of thinner insulating glass (less than 5 mm), which has a lower selling price. The decrease in the average selling price of laminated glass for the six months ended 30 June 2019 was mainly due to a decrease in the sales volume of fireproof laminated glass, which has a higher selling price compared with other types of laminated glass. The decrease in the average selling price of our smart glass product for the six months ended 30 June 2019 was mainly due to a decrease in the proportion of our sales volume of dimming glass with thickness of 6 mm, which has a higher selling price compared with the remaining thinner dimming glass (with 4.7 mm and 5 mm thickness).

The table below sets forth the components of our revenue by product for the periods indicated:

	Year ended 31 December				Six months ended 30 June			
	2017		2018		2018		2019	
	Revenue		Revenue		Revenue		Revenue	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000* (Unaudited)	*%*	*RMB'000*	*%*
Coated glass	44,615	37.9	62,570	41.1	21,396	31.0	33,970	34.3
Insulating glass	28,118	23.9	39,801	26.1	24,382	35.3	42,802	43.2
Laminated glass	11,543	9.8	9,952	6.5	4,631	6.7	6,626	6.7
Tempered glass	16,079	13.7	4,042	2.7	2,344	3.4	7,094	7.2
Energy-efficient safety glass products	100,355	85.3	116,365	76.4	52,752	76.4	90,492	91.3
Smart glass product	17,580	15.0	36,206	23.8	16,444	23.8	8,793	8.9
Less: Sales taxes and levies	(303)	(0.3)	(274)	(0.2)	(121)	(0.2)	(186)	(0.2)
Total revenue	**117,632**	**100.0**	**152,297**	**100.0**	**69,075**	**100.0**	**99,099**	**100.0**

The following table sets forth the components of our gross profit and gross profit margin by product for the periods indicated:

	Year ended 31 December				Six months ended 30 June			
	2017		2018		2018		2019	
	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*	*%*
Coated glass	13,771	30.9	17,266	27.6	5,313	24.8	8,896	26.2
Insulating glass	10,330	36.7	11,297	28.4	6,586	27.0	12,792	29.9
Laminated glass	4,586	39.7	2,832	28.5	1,287	27.8	2,252	34.0
Tempered glass	4,143	25.8	1,236	30.6	642	27.4	2,168	30.6
Energy-efficient safety glass products	32,830	32.7	32,631	28.0	13,828	26.2	26,108	28.9
Smart glass product	3,299	18.8	10,759	29.7	4,442	27.0	2,730	31.0
Less: Sales taxes and levies	(303)	—	(274)	—	(121)	—	(186)	—
Total gross profit/gross profit margin	**35,826**	**30.5**	**43,116**	**28.3**	**18,149**	**26.3**	**28,652**	**28.9**

The fluctuations of our gross profit margins were mainly attributable to the market competition, which influenced the pricing of our products. For more information, see "Business — Sales and Marketing." Our gross profit margin decreased slightly from 30.5% for the year ended 31 December 2017 to 28.3% for the year ended 31 December 2018 mainly due to: (i) a decrease in the gross profit margin of coated glass because of the market competition which led to a slight decrease in the market price of Low-E glass; (ii) a decrease in the gross profit margin of insulating glass mainly because we sold more Low-E insulating glass that had a higher production cost, which we did not pass to our customers because we wanted to maintain the price competitiveness of our Low-E insulating glass in order to obtain more orders; and (iii) a decrease in the gross profit margin of laminated glass because of the market competition which led to a decrease in the market price of fireproof laminated glass.

Production Facilities and Expansion Plan

As of the Latest Practicable Date, Xianqiao Plant was our sole operational production plant located in Guangdong Province. Our Xianqiao Plant has an aggregate gross floor area of 21,424.5 m^2. For the years ended 31 December 2017 and 2018 and the six months ended 30 June 2019, our production volume of coated glass, our major energy-efficient safety glass product, was 0.9 million m^2, 2.4 million m^2 and 1.6 million m^2, respectively.

The table below sets forth certain operating data relating to our architectural glass production facilities for the periods indicated:

	Year ended 31 December						Six months ended 30 June		
	2017			2018			2019		
	Production capacity	Production volume	Utilization rate	Production capacity	Production volume	Utilization rate	Production capacity	Production volume	Utilization rate
	'000 m^2	*'000 m^2*	*%*	*'000 m^2*	*'000 m^2*	*%*	*'000 m^2*	*'000 m^2*	*%*
Coated Glass	1,728.0	874.3	50.6	1,728.0	2,421.3	140.1	864.0	1,556.1	180.1
Tempered Glass . . .	748.8	1,340.5	179.0	748.8	606.7	81.0	374.4	301.5	80.5
Insulating Glass . . .	691.2	338.1	48.9	691.2	517.9	74.9	345.6	494.7	143.2
Laminated Glass . . .	124.8	105.7	84.7	124.8	76.5	61.3	62.4	50.6	81.1
Smart Glass	33.7	9.6	28.4	33.7	17.3	51.4	16.9	4.2	24.9

The table below sets forth the reconciliation of production volume and sales volume for the periods indicated:

	Year ended 31 December										Six months ended 30 June				
	2017					2018					2019				
	Production volume	Direct purchase(1)	Processing volume	Sales volume	Net movement in inventories	Production volume	Direct purchase(1)	Processing volume	Sales volume	Net movement in inventories	Production volume	Direct purchase(1)	Processing volume	Sales volume	Net movement in inventories
	'000 m^2	*'000 m^2*	*'000 m^2*	*'000 m^2*	*'000 m^2*	*'000 m^2*	*'000 m^2*	*'000 m^2*	*'000 m^2*	*'000 m^2*	*'000 m^2*	*'000 m^2*	*'000 m^2*	*'000 m^2*	*'000 m^2*
Coated glass	874.3	—	152.6	692.9	28.8	2,421.3	—	526.8	1,380.0	514.5	1,556.1	—	390.4	840.4	325.3
Tempered glass . . .	1,340.5	—	939.3	393.1	8.1	606.7	0.7	490.1	91.2	26.1	301.5	42.2	81.9	149.1	112.7
Insulating glass . . .	338.1	—	—	254.9	83.2	517.9	—	—	297.4	220.5	494.7	—	—	411.0	83.7
Laminated glass . . .	105.7	—	9.6	70.2	25.9	76.5	—	17.3	58.5	0.7	50.6	—	4.2	44.0	2.4
Smart glass product	9.6	—	—	10.1	(0.5)	17.3	—	—	20.6	(3.3)	4.2	—	—	5.6	(1.4)

Note:

(1) It represents the direct purchase of the tempered glass from Jieyang Jiedong District Huawei Tempered Glass Factory during the respective periods.

During the Track Record Period, the production volumes of our coated glass and tempered glass were larger than their respective sales volumes mainly because some products were further processed into the insulating, laminated and smart glass product for subsequent sales and stored at our warehouse as inventories for subsequent purchase by and delivery to our customers. The production volumes of insulating glass and laminated glass were larger than their respective sales volumes mainly because some products were stored at our warehouse as inventories for subsequent purchase by and delivery to our customers. The production volume of our smart glass product was smaller than its sales volume mainly because the smart glass product we sold each year/period included the smart glass product we produced each year/period and the inventories at the end of the previous year. Our inventories increased during the Track Record Period mainly because: (i) we produced more coated glass including but not limited to the two new types of coated glass with upgraded specifications in the last quarter of 2018 for the subsequent sales in 2019; (ii) our customers placed more orders of tempered glass, insulating glass and laminated glass in the last quarter of 2018 for the subsequent delivery in 2019; and (iii) we produced more coated glass for the six months ended 30 June 2019 for the subsequent sales of coated glass in July and August

2019 due to the technical constraints of our machineries to operate for long hours under the hot weather in the summer and for further processing into insulating glass and smart glass for subsequent sales. For details of the assumption and calculation, see "Business — Production — Production Facilities."

According to HCR, the architectural glass market in China is highly competitive. The top four enterprises accounted for 11.6% by production volume in 2018 in China's coated glass market. Our market share accounted for 0.8% by production volume in 2018 in China's coated glass market. We focus on expanding our market share in China's coated glass market to enhance our market position in the architectural glass industry.

As part of our strategy of continued expansion into the coated glass market, we plan to upgrade our existing production facilities by: (i) automation of the production process of coated glass; (ii) upgrading our existing equipment, including but not limited to, mechanical pumps, molecular pumps and switch board rooms, and coating process of Low-E glass; and (iii) purchasing equipment, including but not limited to, rotating cathodes, vacuum chambers and an edge grinding machine. The increase in production capacity could address our production needs as there is technical constraint of our machineries to operate for long hours under the hot weather and our production volume can only be maintained at a minimal level between May and August. For the period between May and August in 2018, our production volume of coated glass was 0.6 million m^2. Given this technical constraint, we had to rely on our inventories to satisfy our sales demand during this period. Our production volume of coated glass would rebound between September and December due to the resumption of normal operation of our machineries and our sales demand. In 2018, our production volume of coated glass was 1.5 million m^2 between September and December and reached a utilization rate of over 100%. In view of such, there is a need to increase our production capacity to address our production needs and supplement our plan to expand into the coated glass market.

For more information, see "Business — Our Business Strategies — Upgrade our existing production facilities and strengthen our operational efficiency," "Business — Production" and "Statement of Business Objectives and Use of Proceeds" in this Prospectus.

Research and Development

Our strong research and development capabilities are crucial for us to produce high-quality architectural glass products. As of 30 June 2019, our research and development team consisted of six full-time personnel, who are led by Mr. Lin Gai and Mr. Wei, who have 18 years and 15 years of experience in the glass processing industry, respectively. Through our continuous efforts, we have successfully developed advanced proprietary production processes and products. A majority of the key quality indicators of our Low-E glass, including emissivity, visible light transmittance, heat transfer and shading coefficient, are higher than the industry average levels. As of the Latest Practicable Date, we owned five invention patents and 15 utility model patents in China.

For more information, see "Business — Research and Development" in this Prospectus.

Our Customers

During the Track Record Period, we marketed and sold our products to our customers in China, which are the end-users of our products in the construction, construction material including construction material produced by glass manufacturers, optical and other industries and one trading company located in Jiangsu Province. For the years ended 31 December 2017 and 2018 and the six months ended 30 June 2019, we had over 80, 100 and 80 customers, respectively. We have established business relationships ranging from one to six years with our five largest customers during the Track Record Period. For the years ended 31 December 2017 and 2018 and the six months ended 30 June 2019, sales to our five largest customers accounted for 40.1%, 30.2% and 38.4% of our total revenue, respectively. To the best knowledge of our Directors, none of our Directors, their close associates or our Shareholders who hold more than 5% of our issued share capital had any interest in our five largest customers.

The table below sets forth the sales by industry of our customers for the periods indicated:

	Year ended 31 December				**Six months ended 30 June**			
	2017		**2018**		**2018**		**2019**	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
Construction[1]	34,500	29.3	51,508	33.8	20,117	29.1	51,666	52.0
Construction material[2]	25,744	21.8	30,050	19.7	19,221	27.8	7,453	7.5
Optical industry[3]	54,096	45.9	62,042	40.7	24,434	35.3	37,348	37.6
Trading company[4]	2,554	2.2	8,857	5.8	5,419	7.8	1,065	1.1
Others[5]	1,041	0.8	115	0.1	4	0.0	1,753	1.7
Total	**117,935**	**100.0**	**152,571**	**100.0**	**69,196**	**100.0**	**99,285**	**100.0**

Notes:

(1) Our customers in the construction industry mainly engage in the provision of construction services.

(2) Our customers in the construction material industry mainly engage in glass manufacturing and other construction material manufacturing.

(3) Our customers in the optical industry mainly engage in the production of optoelectronic curtain walls, display screens and optical lenses.

(4) Our customer as a trading company mainly engages in the resale of our products.

(5) Others mainly include the customers operating in the real estate, energy and advertising industries.

For more information, see "Business — Our Customers" in this Prospectus.

Pricing

Prices for our architectural glass products are primarily a result of negotiations with our customers, taking into consideration factors such as prevailing market conditions, product specifications, supply and demand of comparable products, the size of the purchase orders and our production costs. During the Track Record Period, the average selling price of our energy-efficient safety glass products was higher than the average market price mainly because: (i) we purchased high-quality float glass with high purity as our raw material to process into energy-efficient safety glass products; (ii) our coating process involved cutting, edging and cleaning of coated glass and we sold thicker (more than 5 mm and 6 mm) coated glass; and (iii) we sold both fireproof laminated glass and tempered laminated glass, with the former having a higher selling price than the latter, as confirmed by HCR. The average selling price of our smart glass product was higher than the average market price mainly because: (i) we sold thicker smart glass product (more than 5 mm thickness) with a higher selling price; (ii) our smart glass product was well-received by our customers and sold at a little premium due to the Guangdong High and New Technology Product Certification (廣東省高新技術產品證書), that we obtained for our smart glass product; and (iii) we sold majority of our smart glass product to the customers in the optical, outdoor advertising and electronic industries, which has a higher average selling price than that sold to customers in the interior construction industry, as confirmed by the HCR. For more information, see "Business — Our Business Model and Products." For more information, see "Business — Sales and Marketing" in this Prospectus.

Raw Materials and Suppliers

During the Track Record Period, our raw materials mainly included float glass, fireproof glass and coated glass. In addition, we purchased auxiliary materials such as aluminum spacers, PVB interlayers and sealants. We purchase all of our raw materials from suppliers located in China. We maintain a list of qualified suppliers to secure a stable supply of our principal raw materials. Our auxiliary materials are generally widely and readily available in the open market from a large number of suppliers.

Our five largest suppliers during the Track Record Period were mainly suppliers of float glass, fireproof glass and coated glass. We have business relationships ranging from one to seven years with these five largest suppliers. For the years ended 31 December 2017 and 2018 and the six months ended 30 June 2019, purchases from our five largest suppliers accounted for 61.8%, 67.5% and 79.1% of our total production costs, respectively. To the best knowledge of our Directors, none of our Directors, their close associates or our Shareholders who hold more than 5% of our issued share capital had any interest in these five largest suppliers. During the Track Record Period, we did not experience any material disputes with our suppliers.

For more information, see "Business — Raw Materials and Suppliers" in this Prospectus.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths have contributed, and will continue to contribute, to our leadership position and success:

- We offer a wide array of architectural glass products.
- Our strong research and development capabilities enable us to develop high-quality architectural glass products.
- We are well positioned to benefit from favorable PRC Government policies and market developments.
- We have a visionary and experienced management team.

OUR BUSINESS STRATEGIES

Our business objectives are to enhance our market position in the architectural glass industry in China and pursue domestic expansion to capture future growth opportunities. To achieve our objectives, we have formulated the following major business strategies:

- Upgrade our existing production facilities and strengthen our operational efficiency;
- Expand our market share in China's architectural glass market by diversifying our product portfolio;
- Further enhance our research and development capabilities; and
- Expand our sales and marketing coverage.

SUMMARY OF KEY FINANCIAL INFORMATION

The summary historical data of financial information set forth below have been derived from, and should be read in conjunction with, our consolidated audited financial statements, including the accompanying notes, set forth in the Accountants' Report attached as Appendix I to this Prospectus, as well as the information set forth in "Financial Information" in this Prospectus. Our financial information was prepared in accordance with HKFRS.

Summary Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Year ended 31 December				Six months ended 30 June			
	2017		2018		2018		2019	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000* (Unaudited)	*%*	*RMB'000*	*%*
Revenue	**117,632**	**100.0**	**152,297**	**100.0**	**69,075**	**100.0**	**99,099**	**100.0**
Cost of sales	(81,806)	(69.5)	(109,181)	(71.7)	(50,926)	(73.7)	(70,447)	(71.1)
Gross profit	**35,826**	**30.5**	**43,116**	**28.3**	**18,149**	**26.3**	**28,652**	**28.9**
Other net income	6,996	5.9	8,591	5.6	1,004	1.5	574	0.6
Sales and marketing expenses	(333)	(0.3)	(202)	(0.1)	(113)	(0.2)	(94)	(0.1)
General and administrative expenses	(12,728)	(10.8)	(12,755)	(8.4)	(6,897)	(10.0)	(13,625)	(13.8)
Profit from operations	**29,761**	**25.3**	**38,750**	**25.4**	**12,143**	**17.6**	**15,507**	**15.6**
Finance costs	(3,060)	(2.6)	(2,258)	(1.4)	(1,099)	(1.6)	(1,114)	(1.1)
Profit before taxation	**26,701**	**22.7**	**36,492**	**24.0**	**11,044**	**16.0**	**14,393**	**14.5**
Income tax	(3,439)	(2.9)	(4,727)	(3.1)	(1,365)	(2.0)	(2,380)	(2.4)
Profit for the year/period	**23,262**	**19.8**	**31,765**	**20.9**	**9,679**	**14.0**	**12,013**	**12.1**

Our general and administrative expenses mainly consist of: (i) research and development costs of RMB6.1 million, RMB7.7 million, RMB3.1 million and RMB4.6 million, respectively, for the years ended 31 December 2017 and 2018 and the six months ended 30 June 2018 and 2019; and (ii) listing expenses of RMB3.2 million, RMB2.7 million, RMB1.3 million and RMB5.2 million, respectively, for the years ended 31 December 2017 and 2018 and the six months ended 30 June 2018 and 2019. Our other net income mainly consists of government grants, rentals from operating leases, interest income and foreign exchange losses. For more information, see “Financial Information — Management’s Discussion and Analysis of Financial Condition and Results of Operations — Description of Components of Results of Operations — Other net income” in this Prospectus. Our profit for the period increased by 24.1% from RMB9.7 million for the six months ended 30 June 2018 to RMB12.0 million for the six months ended 30 June 2019 mainly because our revenue increased from RMB69.1 million for the six months ended 30 June 2018 to RMB99.1 million for the six months ended 30 June 2019 as a result of an increase in the sales volume of architectural glass products. Our profit for the year increased by 36.6% from RMB23.3 million for the year ended 31 December 2017 to RMB31.8 million for the year ended 31 December 2018 mainly because: (i) our revenue increased from RMB117.6 million for the year ended 31 December 2017 to RMB152.3 million for the year ended 31 December 2018 as a result of an increase in the sales volume of architectural glass products; and (ii) government grants increased from RMB6.8 million for the year ended 31 December 2017 to RMB8.4 million for the year ended 31 December 2018 mainly in support of the Listing. Such government grants are non-recurring in nature.

Non-HKFRS Information

	Year ended 31 December		Six months ended 30 June	
	2017	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Profit for the year/period	23,262	31,765	9,679	12,013
Adjustment for:				
Add: listing expenses	3,209	2,696	1,258	5,242
Less: government grants in support of the Listing	—	6,000	—	—
Adjusted profit for the year/period	**26,471**	**28,461**	**10,937**	**17,255**

To supplement our consolidated financial statements which are presented in accordance with HKFRS, we also presented the adjusted profit for the year/period as a non-HKFRS measure. We presented the additional financial measure as it was used by our management to evaluate our financial performance by eliminating the impact of listing expenses and government grants in support of the Listing which are considered not indicative for evaluation of the actual performance of our business. We believe that this non-HKFRS measure provides additional information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as our management did and in comparing financial results across the Track Record Period.

The following table sets forth the components of our cost of sales by nature for the periods indicated:

	Year ended 31 December				Six months ended 30 June			
	2017		2018		2018		2019	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Raw material costs	80,542	87.6	123,184	91.8	45,397	89.1	76,047	93.3
Depreciation	4,449	4.8	4,449	3.3	2,320	4.6	2,294	2.8
Staff costs	4,348	4.7	4,132	3.1	2,142	4.2	1,942	2.4
Utilities	2,248	2.5	2,354	1.7	1,048	2.1	1,151	1.4
Others[(1)]	396	0.4	83	0.1	71	0.1	49	0.1
Total production costs	**91,983**	**100.0**	**134,202**	**100.0**	**50,978**	**100.0**	**81,483**	**100.0**
Add: Finished goods at beginning of the year	9,753		19,930		19,930		44,951	
Less: Finished goods at end of the year	(19,930)		(44,951)		(19,982)		(55,987)	
Total cost of sales	**81,806**		**109,181**		**50,926**		**70,447**	

Note:

(1) Others include miscellaneous production materials such as belts, equipment accessories and screws.

For more information, see "Financial Information — Management's Discussion and Analysis of Financial Condition and Results of Operations — Description of Components of Results of Operations" in this Prospectus.

Milestones of Our Group

The following is a summary of our Group's key business development milestones:

Year	Milestones
2005	We commenced commercial production of tempered glasses, our first energy-efficient safety glass product
2008	We established a research and development center at our Xianqiao Plant
	We expanded the scope of our energy-efficient safety glass products by commencing commercial production of insulating glasses and laminated glasses
2014	We further expanded the scope of our energy-efficient safety glass products by commencing commercial production of coated glasses
2016	We commenced commercial production of smart glass product

Summary Consolidated Statements of Financial Position

	As of 31 December		As of 30 June
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets	56,281	53,827	54,231
Current assets	50,558	92,935	113,397
Current liabilities	(53,772)	(55,984)	(65,305)
Net current (liabilities)/assets	(3,214)	36,951	48,092
Net assets	45,620	84,267	96,280

We had net current liabilities of RMB3.2 million as of 31 December 2017, of which: (i) RMB31.0 million was attributable to bank loans; (ii) RMB11.3 million was mainly attributable to non-trade amounts due to related parties; and (iii) RMB4.5 million was attributable to income tax payable, which was mainly offset by: (i) RMB30.8 million of inventories; and (ii) RMB15.4 million which was mainly attributable to trade debtors and bills receivables. The improvement from net current liabilities position of RMB3.2 million as of 31 December 2017 to net current assets position of RMB37.0 million as of 31 December 2018 was mainly attributable to: (i) an increase in inventories of RMB29.2 million mainly due to an expected increase in our sales and production volumes in 2019; and (ii) an increase in trade and other receivables of RMB11.6 million mainly due to an increase in non-trade amounts due from related parties of RMB13.0 million.

For more information, see "Financial Information — Management's Discussion and Analysis of Financial Condition and Results of Operations — Discussion of Certain Items from the Statement of Financial Position" in this Prospectus.

Summary Consolidated Cash Flow Statements

	Year ended 31 December		Six months ended 30 June	
	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Cash and cash equivalents at 1 January	2,899	661	661	2,246
Operating profit before changes in working capital	36,833	46,080	15,758	19,269
Net cash generated from/(used in) operating activities	16,194	14,703	(4,203)	(28)
Net cash generated from/(used in) investing activities	376	(18,514)	(14)	(165)
Net cash (used in)/generated from financing activities	(18,808)	5,396	6,816	1,992
Cash and cash equivalents at 31 December/30 June	**661**	**2,246**	**3,260**	**4,045**

For the years ended 31 December 2017 and 2018, we had positive operating cash flow. For the six months ended 30 June 2018 and 2019, we had negative operating cash flow. For the six months ended 30 June 2018 and 2019, our net cash used in operating activities was mainly attributable to: (i) the income tax paid of RMB2.2 million and RMB3.4 million, respectively; (ii) an increase in trade and other receivables of RMB24.8 million and RMB17.2 million, respectively; and (iii) an increase in inventory of RMB0.4 million and RMB14.6 million, respectively. We plan to improve our cash flow position by: (i) further enhancing efforts to collect trade debtors and bills receivables from our customers; and (ii) monitoring our inventories levels on a monthly basis. For the year ended 31 December 2018, our net cash used in investing activities of RMB18.5 million was mainly attributable to loans to Mr. Wei of RMB13.0 million. Such loans had been fully settled by Mr. Wei as of 30 June 2019. For the year ended 31 December 2017, our net cash used in financing activities of RMB18.8 million was mainly attributable to repayment of bank loans of RMB66.3 million. For more information, see "Financial Information — Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Cash flow" in this Prospectus.

Key Financial Ratios

	As of or for the year ended 31 December		As of or for the six months ended 30 June
	2017	2018	2019
Profitability ratio:			
Gross profit margin	30.5%	28.3%	28.9%
Net profit margin	19.8%	20.9%	12.1%
Return on assets	20.3%	25.1%	N/A(2)
Return on equity	68.4%	48.9%	N/A(2)
Liquidity ratio:			
Current ratio	0.9 times	1.7 times	1.7 times
Quick ratio	0.4 times	0.6 times	0.6 times
Solvency ratio:			
Interest coverage ratio	9.7 times	17.2 times	13.9 times
Gearing ratio(1)	68.0%	34.4%	31.2%

Notes:

(1) Gearing ratio is calculated based on total debt divided by total equity as of the particular year/period end and multiplied by 100%.

(2) Such ratio would not be meaningful as it is not comparable to annual numbers.

For details of calculation and explanation of our key financial ratios, see "Financial Information — Management's Discussion and Analysis of Financial Condition and Results of Operations — Key Financial Ratios" in this Prospectus.

CONTROLLING SHAREHOLDERS

Immediately upon completion of the Capitalization Issue and the Share Offer (without taking into account any Shares which may be issued under the Offer Size Adjustment Option), the Company will be owned as to 50.25% by Ming Liang Global which is entirely held by Wei Family Limited which is in turn entirely held by IQ EQ (BVI), the trustee of Family Trust. Family Trust is a discretionary trust established by Mr. Wei, Ms. Lin and Ms. Liu as the settlors and the beneficiaries of which include Mr. Wei, Ms. Lin, Ms. Liu and certain family members of Mr. Wei. Accordingly, Mr. Wei, Ms. Lin, Ms. Liu, Wei Family Limited and Ming Liang Global are our Controlling Shareholders.

See "Relationship with Controlling Shareholders" in this Prospectus for more information.

PRE-IPO INVESTMENTS

On 13 July 2018, the Company entered into the Pre-IPO Agreement with Orient Success and Power Solution, pursuant to which Orient Success and Power Solution agreed to subscribe for and the Company agreed to allot and issue (a) 22 Shares to Orient Success at a consideration of HK$8,800,000; and (b) 11 Shares to Power Solution at a consideration of HK$4,400,000. The Pre-IPO Investments were completed on 17 July 2018. The investment cost per Share after Capitalization Issue is amounted approximately HK$0.18, representing approximately 78% discount to the mid-point of the Offer Price range. Immediately following completion of the Capitalization Issue and the Share Offer (assuming the Offer Size Adjustment Option is not exercised), Orient Success and Power Solution will be beneficially interested in 16.5% and 8.25% of the enlarged share capital of the Company, respectively. The proceeds from the Pre-IPO Investments of HK$13.2 million was expected to be used for funding the general working capital of our Group. Our Directors confirmed that, as of the Latest Practicable Date, approximately HK$9.1 million out of such proceeds had been utilized for fulfilling our Group's general capital needs.

Orient Success is an investment holding company which is wholly-owned by Ms. Wang Yaqing, an Independent Third Party prior to the Pre-IPO Investments. Orient Success will be a Substantial Shareholder of the Company upon the Listing. Ms. Wang is the sole director of Orient Success. Ms. Wang has extensive experience in investment industry and business network. She assumed various auditing or financial roles and finally being the head of investment management department at an investment management company in the PRC. Our Directors believe that with the expertise and experience of Ms. Wang in the finance and fund industry, she, through the Pre-IPO Investment by Orient Success, would be able to offer advice on the financial strategies of our Group.

Power Solution is an investment holding company which is owned by Mr. Li Wei, Mr. Li Jiang and Mr. Gu Hai as to 50%, 25% and 25%, respectively. Each of Mr. Li Wei, Mr. Li Jiang and Mr. Gu Hai is a director of Power Solution and an Independent Third Party. Mr. Li Wei currently works as the director of asset operations of an investment holding company in the PRC which is principally engaging in investment, reorganization, merger and acquisition of assets, assets management and consulting services. Mr. Li Jiang currently works as a general manger of an investment company in Shanghai which is principally engaging in investment management and business consulting services. Mr. Gu Hai established a building renovation and decoration company in Nanjing, the PRC in 2005 and has accumulated nearly 14 years of experience in the building renovation and decoration industry in the PRC. Our Directors believe that with the expertise and experience of Ms. Gu in the building renovation and decoration industry, Mr. Gu Hai, together with Mr. Li Wei and Mr. Li Jiang, through the Pre-IPO Investment by Power Solution, would be able to assist our Group in exploring business opportunities through their business connections, which will be beneficial to our Group. For details, please refer to “History, Reorganization and Group Structure — Pre-IPO Investments” in this Prospectus.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Our business model, revenue and cost structure have no material change subsequent to the Track Record Period and up to the date of this Prospectus. For the period from 30 June 2019 to the Latest Practicable Date, as compared to the same period in 2018, our revenue increased primarily due to: (i) an increase in the sales of coated glass mainly due to an increase in the number of our customers of coated glass which increased our sales volume of coated glass; and (ii) an increase in the sales of insulating glass mainly due to the introduction of two new types of coated glass with upgraded specifications, leading to an increase in the number of both new and repeated customers of insulating glass, principally engaging in the production of construction materials, including but not limited to, glass manufacturing and the provision of construction services, which increased our sales volume of insulating glass.

Our government grants are expected to decrease from RMB8.4 million for the year ended 31 December 2018 to RMB1.0 million for the year ending 31 December 2019. This is mainly because we received a non-recurring fund of RMB6.0 million in support of our Listing in December 2018.

Save as disclosed above, our Directors confirm that there had been no material adverse change in our financial or trading positions since 30 June 2019, being the date of our latest audited consolidated financial statements, and up to the date of this Prospectus.

HISTORICAL NON-COMPLIANCE INCIDENTS

With the exception of the non-compliance incidents disclosed in “Business — Legal and Regulatory Matters — Compliance” and lands and buildings with title defects in the PRC disclosed in “Business — Property — Lands and Buildings in Xianqiao — Lands and buildings with title defects in the PRC,” our Directors confirm that we have complied with all applicable laws and regulations in all material respects in the PRC (being the principal jurisdiction in which we operate) during the Track Record Period and up to the Latest Practicable Date.

LISTING EXPENSES

If the Offer Size Adjustment Option is not exercised, the total amount of listing expenses that will be borne by us in connection with the Share Offer, including underwriting commissions, is estimated to be HK$39.1 million (equivalent to RMB35.1 million) (based on the mid-point of the indicative Offer Price range), of which HK$8.5 million (equivalent to RMB7.6 million) is expected to be accounted for as a deduction from equity. The remaining fees and expenses of HK$30.6 million (equivalent to RMB27.5 million) have been or are expected to be charged to our consolidated statements of profit or loss, of which HK$3.6 million (equivalent to RMB3.2 million) and HK$3.0 million (equivalent to RMB2.7 million) was charged for the years ended 31 December 2017 and 2018, respectively. HK$5.8 million (equivalent to RMB5.2 million) was charged for the six months ended 30 June 2019. HK$6.7 million (equivalent to

RMB6.0 million) and HK$11.5 million (equivalent to RMB10.3 million) are expected to be charged for the six months ending 31 December 2019 and upon the Listing for the year ending 31 December 2020. The professional fees and/or other expenses related to the preparation for the Listing subsequent to 30 June 2019 are the current estimate for reference only and the actual amount to be recognized is subject to adjustment based on audit and the then changes in variables and assumptions. Our financial performance for the years ending 31 December 2019 and 2020 are expected to be materially and adversely affected by the listing expenses to be charged to our consolidated statements of profit or loss and other comprehensive income in 2019 and 2020.

REASONS OF THE LISTING

Our Directors believe that the net proceeds from the Share Offer are crucial for the successful implementation of our business strategies and expansion plans for the following reasons: (i) our cash balance is only sufficient for our operational needs, including payment of labor, water and electricity costs; and (ii) as we will not be able to obtain additional loans to be secured by our land due to its defective title, it is in our interest not to utilize bank borrowings for funding our expansion plans because: (a) even if we can obtain bank loans, we still may not be able to implement our expansion plans in a synchronized and timely manner; (b) in the case of tightening of credit control in the PRC, the interest rate for bank loans may be raised, hence increasing our finance costs; and (c) in the case of economic downturn, we may also be adversely affected by an increase in the interest rate for bank loans.

For more information, see "Statement of Business Objectives and Use of Proceeds – Reasons of the Share Offer and Use of Proceeds – Reasons of the Share Offer" in this Prospectus.

USE OF PROCEEDS

Assuming that the Offer Size Adjustment Option is not exercised, the net proceeds from the issue of Shares under the Share Offer are estimated to be approximately HK$23.2 million, assuming an Offer Price of HK$0.83 per Offer Share (being the mid-point of the indicative Offer Price range), after deducting the estimated total listing expenses including the underwriting commissions in the aggregate amount of approximately HK$39.1 million paid and payable by us from the Share Offer. We intend to use such net proceeds from the Share Offer for the purposes and in the amounts set forth below:

- approximately 51.3%, or approximately HK$11.9 million, will be used to upgrade our existing production facilities;

- approximately 10.8%, or approximately HK$2.5 million, will be used to repay our bank loan we obtained from a commercial bank primarily for expanding our business. Such bank loan bears an annual interest rate of 5.7855%, and will be due and repayable by 29 May 2020;

- approximately 12.9%, or approximately HK$3.0 million, will be used to enhance our research and development capabilities;

- approximately 14.4%, or approximately HK$3.3 million, will be used to enhance the infrastructure of information technology, production safety and environmental protection in order to upgrade our Xianqiao Plant and ERP system;

- approximately 5.6%, or approximately HK$1.3 million, will be used to expand our sales and marketing coverage; and

- approximately 5.0%, or approximately HK$1.2 million, will be used to provide funding for our working capital and other general corporate purposes.

For more information, see "Statement of Business Objectives and Use of Proceeds" in this Prospectus.

SHARE OFFER STATISTICS

The statistics in the following table are based on the assumptions that: (i) the Share Offer is completed and 75,000,000 Shares are issued and sold in the Share Offer; (ii) the Offer Size Adjustment Option is not exercised; and (iii) 300,000,000 Shares are in issue immediately upon completion of the Capitalization Issue and the Share Offer.

	Based on an Offer Price of HK$0.77 per Offer Share	Based on an Offer Price of HK$0.89 per Offer Share
Market capitalization of our Shares	HK$231 million	HK$267 million
Unaudited pro forma adjusted net tangible asset value per Share[(1)]	HK$0.46	HK$0.49

Note:

(1) The unaudited pro forma adjusted net tangible asset value per Share is calculated after making the adjustments referred to in "Appendix II — Unaudited Pro Forma Financial Information."

DIVIDEND

Recommendation for dividends is subject to the discretion of our Directors, depending on our results of operations, working capital, financial position, future prospects and capital requirements, as well as any other factors which our Directors may consider relevant. We have not declared or paid any dividends during the Track Record Period. There can be no assurance that we will be able to declare any dividend in the amount set out in any plan of the Board or at all. Currently, we do not have any dividend policy or intention to declare or pay any dividends in the near future. For more information, see "Financial Information — Dividend" in this Prospectus.

RISK FACTORS

Our operations involve certain risks, some of which are beyond our control. These risks can be broadly categorized into: (i) risks relating to our business and industry; (ii) risks relating to doing business in China; and (iii) risks relating to the Share Offer. Some of the risks generally associated with our business and industry include the following:

- We rely on Southern China market for our sales and any adverse economic, social and/or political conditions affecting the market may materially and adversely affect our business.

- Any disruption at our Xianqiao Plant or in production process may materially and adversely affect our business relationships with our customers, our business, financial condition and results of operations.

- We may not be able to meet the demand of our customers and lose business due to insufficient production capacity.

- Any deterioration in the economic conditions and performance of the downstream industries may materially and adversely affect our business operations and financial condition.

- We are subject to potential adverse consequences due to our lack of valid certificates, permits and other approvals in respect of certain properties we occupied in the PRC.

- Our plan to upgrade our existing production facilities could contribute to the fluctuations of our financial results as the upgrade may not achieve timely profitability as anticipated, or at all.

- The launch of our double-silver Low-E glass may adversely affect the production capacity of our existing products.

These risks are not the only significant risks that may affect the value of our Shares. You should carefully consider all of the information set forth in this Prospectus and, in particular, should evaluate the specific risks set forth in “Risk Factors” in this Prospectus in deciding whether to invest in our Shares.

In this Prospectus, unless the context otherwise requires, the following words and expressions shall have the following meanings.

"Accountants' Report"	the accountants' report of our Group during the Track Record Period set out in Appendix I to this Prospectus
"affiliate(s)"	any other person(s), directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person(s)
"AIC" or "SAIC"	Administration of Industry & Commerce* (工商行政管理機關) of the PRC or, where the context so requires, the State Administration for Industry & Commerce of the PRC (中華人民共和國工商行政管理總局) or its delegated authority at the provincial, municipal or other local level, the predecessor of AMR or SAMR
"AMR" or "SAMR"	Administration of Market Regulation* (市場監督管理機構) of the PRC or, where the context so requires, the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理局) or its delegated authority at the provincial, municipal or other local level
"Application Form(s)"	the **WHITE** application form(s), **YELLOW** application form(s) and **GREEN** application form(s) or, where the context so requires, any of them, relating to the Public Offer
"AQSIQ"	General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家質量監督檢驗檢疫總局), the predecessor of AMR or SAMR
"Articles" or "Articles of Association"	the amended and restated articles of association of the Company, conditionally adopted on 11 December 2019, which will come into effect upon the Listing, a summary of which is set out in Appendix III to this Prospectus
"associate(s)"	has the meaning ascribed thereto under the GEM Listing Rules
"Audit Committee"	the audit committee of our Board
"Board" or "Board of Directors" or "our Board"	the board of Directors
"Business Day" or "business day"	any day on which licensed banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong

"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"CAIGA"	China Architectural and Industrial Glass Association* (中國建築玻璃與工業玻璃協會)
"Capitalization Issue"	the allotment and issue of Shares to be made upon capitalization of certain sums standing to the credit of the share premium account of the Company as referred to in "Appendix IV — Statutory and General Information — 1. Further Information about the Company — C. Written Resolutions of Our Shareholders Passed on 11 December 2019" in this Prospectus
"Cayman Islands Companies Law" or "Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"Central China"	the geographical region covering the central area of the PRC, including Henan Province, Hubei Province and Hunan Province
"China" or "PRC"	the People's Republic of China, but for the purpose of this Prospectus and for geographical reference only and except where the context requires, references in this Prospectus to "China" and the "PRC" do not apply to Taiwan, the Macau Special Administrative Region of the PRC and Hong Kong

"Circular 13"	the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for Foreign Exchange Administration for Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) promulgated by the SAFE on 13 February 2015 and effective from 1 June 2015
"Circular 37"	the Circular of the State Administration of Foreign Exchange on Issues Concerning Foreign Exchange Administration Over the Overseas Investment and Financing and Round-trip Investment by Domestic Residents via Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) promulgated by the SAFE on 4 July 2014 and effective from the same day
"close associate(s)"	has the meaning ascribed thereto under the GEM Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance" or "Companies (WUMP) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company," "our Company," "we" or "us"	China Hongguang Holdings Limited (中國宏光控股有限公司), an exempted company incorporated in the Cayman Islands on 25 May 2017 and references to "we," "us" or "our" refer to our Group or, where the context requires, our Company
"connected person(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the GEM Listing Rules and in the context of the Company as of the Latest Practicable Date, refers to Mr. Wei, Ms. Lin, Ms. Liu, Wei Family Limited and Ming Liang Global
"core connected person(s)"	has the meaning ascribed to it under the GEM Listing Rules
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Deed of Indemnity"	the deed of indemnity dated 30 December 2019 and entered into between the Controlling Shareholders in favour of the Company as referred to in Appendix IV to this Prospectus

“Deed of Non-Competition”	the deed of non-competition dated 30 December 2019 and entered into by the Controlling Shareholders in favor of the Company, details of which are disclosed in “Relationship with Controlling Shareholders” in this Prospectus
“Development Plan”	the Building Materials Industry Development Plan (2016-2020)* (《建材工業發展規劃(2016-2020年)》) issued by MIIT
“dimming glass”	a type of smart glass consisting of two or more glass sheets bound together with a PDLC interlayer
“Director(s)” or “our Director(s)”	the director(s) of the Company
“Dongshan”	Dongshan district, a former district in Jieyang, which was abolished on 2 March 2013, and is a part of Rongcheng since 2 March 2013
“Dongxing Securities” or “Sole Sponsor”	Dongxing Securities (Hong Kong) Company Limited, a licensed corporation under the SFO permitted to engage in type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities (as defined under the SFO), being the sole sponsor of the Share Offer
“Eastern China”	the geographical region covering the eastern area of the PRC, including Shanghai Municipality, Jiangsu Province, Zhejiang Province, Fujian Province, Jiangxi Province, Shandong Province and Anhui Province
“EIT”	the PRC enterprise income tax
“EIT Law”	the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), enacted on 16 March 2007 and effective from 1 January 2008 and latest amended on 29 December 2018 by the decisions of NPC with immediate effect from the same day
“EIT Regulation”	the Regulation on the Implementation of the EIT Law (《中華人民共和國企業所得稅法實施條例》) promulgated by the State Council on 6 December 2007 and effective from 1 January 2008
“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the Government of Hong Kong

"Family Trust"	The Wei Family Trust, a discretionary family trust established on 18 December 2017 by Mr. Wei, Ms. Lin and Ms. Liu as the settlors, with IQ EQ (BVI) as the trustee, and the beneficiaries of which include Mr. Wei, Ms. Lin, Ms. Liu and certain family members of Mr. Wei, as described in detail in "History, Reorganization and Group Structure — Trust Arrangement" in this Prospectus
"GAC"	General Administration of Customs of the PRC (中華人民共和國海關總署)
"GEM"	the GEM of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"General Rules of CCASS"	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
"**GREEN** Application Form(s)"	the application form(s) to be completed by the **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited
"Group," "our Group," "we" or "us"	the Company and its subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period before the Company becoming the holding company of its present subsidiaries, such subsidiaries and the business operated by them or their predecessors (as the case may be)
"Guangdong"	Guangdong Province, a province located in the southern coast of China
"Guidance Opinion"	Guidance Opinion on the Development of Glass Industry in the 13th Five-Year Plan* (《玻璃工業"十三五"發展指導意見》) issued by CAIGA
"HCR"	HCR Co., Ltd. (北京慧辰資道資訊股份有限公司), a market research firm commissioned by us, an Independent Third Party
"HKAS(s)"	Hong Kong Accounting Standards
"HKFRS(s)"	Hong Kong Financial Reporting Standard(s) (including HKASs and Interpretations) issued by the HKICPA

"HKICPA"	Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of the Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Branch Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong dollar(s)" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hongguang Glass"	Jieyang Hongguang Coated Glass Co., Ltd.* (揭陽市宏光鍍膜玻璃有限公司), a company established in the PRC with limited liability on 10 April 1992, and an indirect wholly-owned subsidiary of the Company
"Hongguang International"	Hongguang International Limited (宏光國際有限公司), a company incorporated in the BVI with limited liability on 25 May 2017, and a direct wholly-owned subsidiary of the Company
"Hongguang Mirror"	Jieyang City Dongshan District Hongguang Mirror Company Limited* (揭陽市東山區宏光鏡藝廠有限公司), a company established in the PRC with limited liability on 22 June 2000 (and its predecessor, Jieyang County Dongshan Hongguang Mirror Factory (揭陽縣東山宏光鏡藝廠), a collectively-owned enterprise in the PRC established on 27 March 1992 prior to its restructuring), which is owned as to 60% by Mr. Wei and 40% by Ms. Liu
"Hongguang Technology"	Hongguang Technology (Hong Kong) Limited (宏光科技(香港)有限公司), a company incorporated in Hong Kong with limited liability on 12 July 2017, and an indirect wholly-owned subsidiary of the Company
"Independent Third Party(ies)"	an individual(s) or company(ies) who or which, as far as our Directors are aware after having made all reasonable enquiries, is/are not a connected person(s) of the Company within the meaning of the GEM Listing Rules

"Industry Report"	the market research report commissioned by us and prepared by HCR on the overview of the industry in which our Group operates
"IQ EQ (BVI)"	IQ EQ (BVI) Limited (formerly known as First Names (BVI) Limited), a company incorporated in the BVI with limited liability on 1 November 1995 and the trustee of Family Trust
"Jieyang"	Jieyang City, Guangdong
"Joint Bookrunners"	I Win Securities Limited and Elstone Securities Limited
"Joint Lead Managers"	I Win Securities Limited and Elstone Securities Limited
"Latest Practicable Date"	21 December 2019, being the latest practicable date prior to the printing of this Prospectus for the purpose of ascertaining certain information in this Prospectus prior to its publication
"Listing"	the listing of the Shares on GEM
"Listing Date"	the date, expected to be on Monday, 13 January 2020, on which dealings in the Shares first commence on GEM
"Listing Division"	the listing division of the Stock Exchange
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM
"Memorandum" or "Memorandum of Association"	the amended and restated memorandum of association of the Company adopted on 11 December 2019, a summary of which is set out in "Appendix III — Summary of the Constitution of the Company and Cayman Islands Company Law" to this Prospectus, as supplemented, amended or otherwise modified from time to time
"MIIT"	the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
"Ming Liang Global"	Ming Liang Global Limited (明亮環球有限公司), a company incorporated in the BVI with limited liability on 25 May 2017 and one of the Controlling Shareholders, being wholly-owned by Wei Family Limited
"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"Ms. Lin"	Ms. Lin Weishan (林偉珊), an executive Director, our chairwoman and the spouse of Mr. Wei

"Ms. Liu"	Ms. Liu Rong (劉茸), the mother of Mr. Wei
"Mr. Wei"	Mr. Wei Jiakun (魏佳坤), an executive Director, our chief executive officer, the son of Ms. Liu and the spouse of Ms. Lin
"M&A Rules"	the Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》), jointly issued by State-owned Assets Supervision and Administration commission of the State Council (國務院國有資產監督管理委員會), MOFCOM, SAT, SAIC, CSRC and SAFE on 8 August 2006 and amended by MOFCOM on 22 June 2009 and effective from the same day
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"Nomination Committee"	the nomination committee of our Board
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"Offer Price"	the final offer price per Offer Share (exclusive of brokerage fee, SFC transaction levy and Stock Exchange trading fee), which will be not more than HK$0.89 per Offer Share and is expected to be not less than HK$0.77 per Offer Share, such price to be determined in the manner as further described in "Structure and Conditions of the Share Offer" in this Prospectus
"Offer Share(s)"	the Public Offer Shares and the Placing Shares
"Offer Size Adjustment Option"	the option granted by the Company to the Joint Bookrunners (for themselves and on behalf of the Placing Underwriters), to require the Company to allot and issue up to an aggregate of 11,250,000 additional Placing Shares representing 15% of the Offer Shares initially available under the Share Offer, to cover any excess demand or over-allocations, which may be made in connection with the distribution of the Placing Shares, as described in the paragraph headed "Structure and Conditions of the Share Offer — Offer Size Adjustment Option" in this Prospectus
"Orient Success"	Orient Success Ventures Limited (東勝創投有限公司), a company incorporated in the BVI with limited liability on 26 September 2017 and one of the Pre-IPO Investors. Orient Success, which will be a Substantial Shareholder and hence a connected person of the Company upon the Listing

"PBOC"	the People's Bank of China (中國人民銀行)
"Placing"	the conditional placing of the Placing Shares by the Placing Underwriters for and on behalf of the Company for cash at the Offer Price, as further described in "Structure and Conditions of the Share Offer" in this Prospectus
"Placing Shares"	the 67,500,000 Shares (subject to reallocation and the Offer Size Adjustment Option) initially being offered by the Company for subscription at the Offer Price under the Placing, subject to the terms and conditions as described in "Structure and Conditions of the Share Offer" in this Prospectus
"Placing Underwriters"	the underwriters of the Placing Shares who are expected to enter into the Placing Underwriting Agreement to underwrite the Placing Shares
"Placing Underwriting Agreement"	the conditional underwriting agreement relating to the Placing to be entered into by amongst others, the Company, the Controlling Shareholders, the executive Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Placing Underwriters on or around Monday, 6 January 2020, particulars of which are summarized in "Underwriting" in this Prospectus
"Power Solution"	Power Solution International Holdings Limited (力策國際控股有限公司), a company incorporated in the BVI with limited liability on 12 November 2013 and one of the Pre-IPO Investors
"PRC GAAP"	the PRC Accounting Standards for Business Enterprises promulgated by the MOF
"PRC Government"	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government authorities) and organizations of such government or, as the context requires, any of them
"PRC Legal Advisers"	Beijing DHH Law Firm, our PRC legal advisers
"Pre-IPO Agreement"	the share subscription agreement dated 13 July 2018 and entered into between the Company, Orient Success and Power Solution in relation to the Pre-IPO Investments, details of which are set out in "History, Reorganization and Group Structure — Pre-IPO Investments" in this Prospectus
"Pre-IPO Investments"	the investments in the Company by the Pre-IPO Investors, details of which are set out in "History, Reorganization and Group Structure — Pre-IPO Investments" in this Prospectus

"Pre-IPO Investors"	Orient Success and Power Solution
"Price Determination Agreement"	the agreement to be entered into by the Joint Bookrunners (for themselves and on behalf of the Underwriters) and us on the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on or around Monday, 6 January 2020 or such later date as may be agreed between the Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) but in any event not later than Tuesday, 7 January 2020, on which the Offer Price is fixed
"Prospectus"	this prospectus being issued in connection with the Share Offer
"Public Offer"	the offer of the Public Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price on and subject to the terms and conditions stated in this Prospectus and in the Application Forms as further described in "Structure and Conditions of the Share Offer" in this Prospectus
"Public Offer Shares"	the 7,500,000 Shares (subject to reallocation) initially being offered by the Company for subscription in the Public Offer, as described in "Structure and Conditions of the Share Offer" in this Prospectus
"Public Offer Underwriters"	the underwriters of the Public Offer Shares whose names are set out in "Underwriting — The Public Offer Underwriters" in this Prospectus
"Public Offer Underwriting Agreement"	the conditional underwriting agreement relating to the Public Offer entered into by, among others, the Company, the Controlling Shareholders, the executive Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters dated 30 December 2019, details of which are set forth in "Underwriting" in this Prospectus
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	the remuneration committee of our Board
"Renminbi" or "RMB"	the lawful currency of the PRC
"Reorganization"	the corporate reorganization of our Group conducted in preparation for the Listing, details of which are set out in "History, Reorganization and Group Structure" in this Prospectus

"Rongcheng"	Rongcheng District, a district in Jieyang, Guangdong
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"SCNPC"	the Standing Committee of the NPC (全國人民代表大會常務委員會)
"Securities and Futures Commission" or "SFC"	the Securities and Futures Commission of Hong Kong
"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) with a nominal value of HK$0.01 each in the share capital of the Company, which are to be traded in Hong Kong dollars and listed on GEM
"Share Offer"	the Public Offer and the Placing
"Shareholder(s)"	holder(s) of the Share(s)
"Southern China"	the geographical region covering the southern area of the PRC, including Guangdong, Guangxi Zhuang Autonomous Region and Hainan Province
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"subsidiary" or "subsidiaries"	has the meaning ascribed thereto in the GEM Listing Rules
"Substantial Shareholder(s)"	has the meaning ascribed thereto in the GEM Listing Rules
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the periods comprising the two financial years ended 31 December 2018 and the six months ended 30 June 2019
"Trust Arrangement"	the trust arrangement in relation to Family Trust, the details of which are set out in "History, Reorganization and Group Structure — Trust Arrangement" in this Prospectus
"Underwriters"	the Public Offer Underwriters and the Placing Underwriters

"Underwriting Agreements"	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$" or "U.S. dollar(s)"	United States dollar(s), the lawful currency of the United States
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"VAT"	the PRC value-added tax
"Wei Family Limited"	Wei Family Limited, a company incorporated in the BVI with limited liability on 4 July 2018, which is entirely held by IQ EQ (BVI) as the trustee of Family Trust
"**WHITE** Application Form(s)"	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant's or applicants' own name(s)
"**White Form eIPO**"	the application of Public Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website at **www.eipo.com.hk**
"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited
"Xianqiao"	Xianqiao Town, a town in Rongcheng, Jieyang, Guangdong
"Xianqiao Plant"	our existing production plant located in Xianqiao Town, Jieyang, Guangdong
"**YELLOW** Application Form(s)"	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS
"13th Five-Year Plan"	the 13th Five-Year Plan for National Economic and Social Development (2016-2020)* (《國民經濟和社會發展第十三個五年規劃綱要(2016-2020)》)
"%"	per cent

* *denotes the English translation of the name of a Chinese company or entity, or vice versa, and is provided for identification purposes only*

This glossary contains explanations of terms used in this Prospectus in connection with us and our business. Some of these terminologies and their meanings may not correspond to those standard meanings and usage adopted in the industry.

"autoclave"	a pressure chamber used to carry out industrial processes requiring elevated temperatures and higher pressure than that of our atmosphere
"coated glass"	glass coated with a layer and/or layers of film composed of metal and/or metal oxide compounds to provide diverse functions and colors
"conductive glass"	glass coated with a layer of electrically conductive film applied to a glass surface
"desiccant"	a substance used to remove moisture
"edge"	the process for grinding smooth sharp edges of glass
"electrochromic glass"	a type of smart glass whose opacity may be altered on the application of voltage, allowing users to electronically adjust the amount of light and heat passing through the glass at the flick of a switch
"emissivity"	the value given to a material based on the ratio of energy radiating from its surface compared to that radiating from a black body at the same temperature and wavelength, on a scale of zero to one (the lower the better)
"energy-efficient safety glass"	range of glass products featuring characteristics in energy efficiency and safety, which include coated glass, insulating glass, laminated glass and tempered glass
"ERP system"	enterprise resources planning system, an inventory management system to monitor the consumption of raw materials, work-in progress and finished goods
"far infra-red radiation"	radiation of a wavelength between 25 to 1,000 micrometers
"fireproof glass"	glass that resists the spread of fire and smoke within a building and used as a raw material in our production process
"float glass"	float glass without any enhanced functionality, used as a raw material in our production process
"insulating glass"	glass consisting of two or more glass sheets sealed around the edges with a gas-filled space in between, forming a single unit

"ISO"	the International Organization for Standardization, an independent, non-governmental organization that develops international standards for products, services and systems to ensure quality, safety and efficiency
"ISO9001"	a set of guidelines for a quality management system and representing an international consensus on good quality management practices
"laminated glass"	glass consisting of two or more glass sheets bound together with a PVB interlayer
"Low-E glass"	glass coated with a low-emissivity coating, which reduces more infra-red radiation than ordinary glass
"m^2"	square meters
"mm"	millimeter(s)
"PDLC"	polymer dispersed liquid crystal (聚合物分散液晶), a combined application of polymers and liquid crystals which responds to an electrical charge
"PVB"	polyvinyl butyral (聚乙烯醇縮丁醛), a resin generally used for applications that require strong binding, optical clarity, adhesion to many surfaces, toughness and flexibility
"smart glass"	glass whose light and heat transmission properties can be altered on the application of voltage
"solar control glass"	glass with a coating that reflects solar energy, which includes both visible light and infra-red radiation, but not far infra-red radiation
"temper(ed)"	a process using controlled thermal to increase the strength of glass
"tempered glass"	a type of energy-efficient safety glass which fractures into small, relatively harmless pieces when broken instead of shattering into jagged shards, effectively reducing the risk of severe injuries in comparison to non-tempered glass
"weight case"	a unit for glass used in the glass industry, which is defined as the weight of 10 m^2 of glass with 2 mm thickness. For example, one weight case of glass is equal to 4 m^2 of glass with 5 mm thickness, or 3.33 m^2 of glass with 6 mm thickness

This Prospectus contains forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- any changes in the regulatory and operating conditions in the industry and the markets in which we operate;
- our objectives, business and operating strategies and our ability to implement such strategies;
- future events, developments, trends, conditions and the competitive environment in the industry and the markets in which we operate or into which we intend to expand;
- business opportunities and our expansion plan;
- our objectives and expectations regarding our future operations, profitability, liquidity and capital resources;
- our financial condition and performance;
- our ability to control our credit risks and other risks inherent in our business;
- our ability to identity, measure, monitor and control risks in our business including our ability to improve our overall risk profile and risk management practices;
- our future debt levels and capital needs;
- financial market developments;
- macroeconomic measures taken by the PRC Government to manage economic growth;
- changes in the general economic market, business and political conditions, including sustainability of the economic growth in China;
- our production capabilities;
- our ability to control costs;
- our dividend policy;
- our capital expenditure plans;
- our business prospects;

- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industry and the markets in which we operate;

- the actions and developments of our competitors;

- our ability to identity and successfully take advantage of new business development opportunities;

- certain statements in "Financial Information" with respect to trends in prices, volumes, margins, overall market conditions and exchange rates;

- other statements in this Prospectus that are not historical facts; and

- other factors beyond our control.

In some cases, we use the words "aim," "anticipate," "believe," "can," "propose," "continue," "could," "estimate," "expect," "going forward," "intend," "ought to," "may," "might," "plan," "target," "potential," "predict," "project," "seek," "should," "will," "would," the negative and similar expressions of these words to identify forward-looking statements. In particular, we use these forward-looking statements in "Summary," "Risk Factors," "Business," "Financial Information" and other sections of this Prospectus in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets.

These forward-looking statements are based on current plans and estimates, and speak only as of the date they were made. Subject to the requirements of applicable laws, rules and regulations, we undertake no obligation to update or revise any forward-looking statements in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. We caution you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements.

Our Directors confirm that the forward-looking statements are made after reasonable care and due consideration. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this Prospectus are qualified by reference to this cautionary statement.

You should carefully consider each of the risks described below and all of the other information contained in this Prospectus before deciding to invest in the Offer Shares. On the occurrence of any of the following risks, our business, financial condition and results of operations could be materially and adversely affected. In that case, the trading price of our Shares could decline, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We rely on Southern China market for our sales and any adverse economic, social and/or political conditions affecting the market may materially and adversely affect our business.

We primarily engage in the manufacture and sale of architectural glass products in Southern China. Our production facilities are located in Jieyang, Guangdong. During the Track Record Period, our customers were domestic PRC customers. According to HCR, the demand of our architectural glass products is highly driven by favorable PRC Government policies. Our business operations and the demand for our products are therefore exposed to any deterioration in the economic, social and/or political conditions as well as changes in PRC Government policies. In the event of any present and future adverse changes in the economic, social and/or political conditions or PRC Government policies, which may in turn reduce demand for our products, our financial position and performance may be materially and adversely affected.

Any disruption at our Xianqiao Plant or in production process may materially and adversely affect our business relationships with our customers, our business, financial condition and results of operations.

As of the Latest Practicable Date, Xianqiao Plant was our sole operational production plant located in Guangdong Province. We were heavily dependent on the operation of our production machineries and equipment for our business operations. Although we did not encounter any material disruption in Xianqiao Plant during the Track Record Period, any unexpected interruption, including but not limited to: (i) machineries breakdowns or sub-standard performance of our machineries and equipment; (ii) industry accident; and (iii) natural disaster or other unanticipated catastrophic events, such as power interruptions, water shortages, storms, fires, may significantly disrupt or even halt our manufacturing abilities. We cannot guarantee that we will be able to adequately control the impact of such events, or secure alternative production or storage facilities to fulfill our product orders in a timely and cost-effective manner, or at all. Any resulting failure to maintain our production schedule and make timely delivery may materially and adversely affect our business relationships with our customers, our business, financial condition and results of operations.

We may not be able to meet the demand of our customers and lose business due to insufficient production capacity.

There are technical constraints of our machineries to operate for long hours under the hot weather as much heat is generated and during the coating process which requires cooling, and during the coating process in the summer of 2018 and 2019, our machineries stopped working multiple times due to high water temperature and inadequate flow of cooling water. As such, the machineries cannot operate for long hours under high temperature, which lowers our production capacity of our production line in the summer. In light of the technical restraints of our machineries, we recorded utilization rates of over 100% during the Track Record Period because we needed to increase the working time of our machineries and employees in order to make up for the lower production capacity of our production line in the summer. For more information, see "Business — Our Business Strategies — Upgrade our existing production facilities and strengthen our operational efficiency" and "Business — Production — Production Facilities." In addition, during the upgrade of our production facilities, we may need to stop the operation of part of our machineries, which may affect our production capacity during that period. Therefore, we cannot guarantee our production capacity is able to meet the increasing demand of our customers at all time and we may lose business as a result.

Any deterioration in the economic conditions and performance of the downstream industries may materially and adversely affect our business operations and financial condition.

Our business performance depends, to a large extent, on the performance and condition of our customers in the downstream industries, including but not limited to, construction, construction material including construction material produced by glass manufacturers and optical industries, to purchase our products and make payments in a timely fashion. The relevant downstream industries may experience downturn due to market or industry conditions, macroeconomic environment or other factors beyond our control. In the event of any deterioration in the economic conditions and performance of the downstream industries, our customers may reduce their demand for our energy-efficient safety glass products and smart glass product and delay or default in payments. As a result, our sales may decline and we may fail to maintain a positive cash flow or satisfy our working capital requirements, which may materially and adversely affect our business operations and financial condition.

We are subject to potential adverse consequences due to our lack of valid certificates, permits and other approvals in respect of certain properties we occupied in the PRC.

As of the Latest Practicable Date, Xianqiao Plant, comprising 11 buildings, occupied 25,937.6 m^2 of land with a total gross floor area of 21,424.5 m^2. As of the Latest Practicable Date, we had not obtained: (i) collective land use right certificate (集體土地使用權證) for certain land; (ii) state-owned land use right certificates (國有土地使用權證) for certain lands; and (iii) building ownership certificate (房地產權證) for certain buildings. For details of certain properties we occupied with title defects in the PRC and our remedial actions, please refer to the section headed "Business — Property — Lands and Buildings in Xianqiao — Lands and buildings with title defects in the PRC." Since we manufactured our products solely at our Xianqiao Plant, which is crucial to our business operations, any title defect may expose us to the risks of discontinuation of our production process, therefore causing a disruption to our operation. We may not be able to rectify such title defects or may encounter obstacles in obtaining the relevant certificates. As advised by our PRC Legal Advisers, pursuant to the relevant laws and regulations, relevant government authority may order demolishment of certain buildings which lack building ownership certificates. We may be required to demolish or relocate our pre-processing workshops and office which had no proper permits, certificates and approval, and certain relocation cost and time will be required which may adversely affect our operations. As a result of these issues, the operations and financing of Xianqiao Plant could be adversely and materially affected, which could have a material adverse impact on our business and results of operations. In the event that we are required to relocate our workshops and office, we may incur relocation costs and lose revenue during the relocation process due to any inconvenience and temporary discontinuity to our production.

Our plan to upgrade our existing production facilities could contribute to the fluctuations of our financial results as the upgrade may not achieve timely profitability as anticipated, or at all.

We plan to upgrade our existing production facilities, which not only diversifies our product portfolio but also strengthens our operational efficiency. We expect that the upgrade process will be completed by July 2020 and we expect to achieve a designed annual production capacity for coated glass and double-silver Low-E glass of approximately 2.8 million m^2 and 1.4 million m^2, respectively. The designed production capacity of one coating machine will reach approximately 1,200 m^2 coated glass per hour. For more information, see "Business — Our Business Strategies — Upgrade our existing production facilities and strengthen our operational efficiency" in this Prospectus. Other than financing difficulties, our plan to upgrade may be adversely impacted by various factors, many of which are beyond our control, including, but not limited to: (i) delay in delivery of major machineries and equipment or failure of machineries and equipment to perform according to specifications or our expectations; (ii) unforeseen adversities that could substantially delay our planned expansion, such as machineries and equipment malfunctions; (iii) our new products having weaker market reception than we expected; and (iv) difficulties in recruiting sufficient qualified workers. In addition, the operating results as a result of the expansion may not be comparable to our current operating results and we may even operate at a loss. We cannot assure you that our upgrade will achieve the level of profitability as expected, if at all.

The launch of our double-silver Low-E glass may adversely affect the production capacity of our existing products.

After completion of the upgrade of our existing production facilities, we expect to achieve a designed annual production capacity for coated glass and double-silver Low-E glass of approximately 2.8 million m^2 and 1.4 million m^2, respectively. For more information, see "Business — Our Business Strategies — Upgrade our existing production facilities and strengthen our operational efficiency." However, as the production of double-silver Low-E glass will occupy part of our production facilities, the launch of double-silver Low-E glass may affect the production capacity of our existing products and make us unable to satisfy demand for existing products, which may have a material and adverse effect on our business operations.

Any failure to maintain our product quality may materially and adversely affect our business, brand and reputation.

Our operation, to a certain extent, depends on our ability to maintain product quality. We are currently accredited with several quality certifications as described in "Business — Quality Control." However, for the period from October 2018 to April 2019, our China Compulsory Product Certification (強制性產品認證證書) for architectural tempered glass of thickness of no more than 6 mm was revoked. According to our PRC Legal Advisers, our sales of tempered glass of 6 mm size and 3.6 mm size, labelled with our registered trademark, without the China Compulsory Product Certification violated the relevant laws and regulations in the PRC and may subject us to the following potential legal risks: (i) we may be issued a fine between RMB50,000 and RMB200,000; and (ii) the gross profit attributable to such sales may be confiscated. For more information, see "Business — Incident relating to Product Quality." We need to maintain certain certificates for our business operations, which is subject to inspection of our products. However, should there be any future changes to certification standards, we cannot guarantee that we will be able to continue abiding by more stringent requirements, if any. The loss of any accreditations may render our products less competitive and materially and adversely affect our business, brand and reputation.

Moreover, we may not be able to detect and eliminate our defects in production equipment or raw materials procured from third parties in a timely manner, or at all. We cannot assure you that such third parties have developed adequate and effective quality control systems. Any resulting deterioration in quality or manufacturing performance may result in product recalls, order cancellations, delays in delivery and the loss of current and potential customers, among others. Such occurrences may harm our brand and reputation in the long term.

Our competitiveness in the architectural glass industry highly depends on our ability to improve the quality of our existing products, develop new products and techniques, as well as our ability to understand the changing needs, preferences and requirements of our customers. If we fail to keep up with changes in customer demands or technological developments effectively, our future development may be undermined and our business and financial condition may be adversely affected.

The development of new products involves significant time, manpower and expense. We may have to invest a substantial amount of capital and resources before our new products could generate any revenue. There can be no assurance that we will always be able to accurately assess the market needs and technological developments, or that our products will achieve the market acceptance necessary to recover research and development, production, administrative and marketing costs. Additionally, other competitors in the market may improve, develop and launch products that gain wider market acceptance, or are superior to our own in terms of technological advancement, quality and cost. The launch of such products may render our products non-competitive and obsolete. If we fail to respond by improving existing or launching new products in a timely and effective manner, we may not be able to retain our existing customers, compete effectively for new business or maintain our market position.

Our industry is capital intensive and we may not be able to obtain adequate financing for our business in the future.

Our production activities are capital intensive. We depended on cash generated from our sales as well as external financing to operate and expand our business during the Track Record Period. Apart from the net proceeds from the Share Offer, our future funding requirements will depend, to a large extent, on our working capital requirements, business performance, market conditions and other factors, some of which are beyond the control and anticipation of our management. We may also need substantial capital expenditures to expand our business and support our research and development to produce new architectural glass products and/or to upgrade our existing products. There can be no assurance that we will be able to obtain banking facilities and other external financing or resources on commercially acceptable terms in a timely manner, or at all. Our ability to raise additional capital will depend on our business performance, regulatory requirements and factors beyond our control, including but not limited to prevailing market conditions, credit availability and interest rates. For example, we may become subject to substantial interest payments and be required to agree to certain restrictive covenants. Any failure to obtain necessary financing on favorable terms, or at all, may materially and adversely affect our business, financial condition and results of operations.

We may not be able to continue benefiting from preferential tax treatment, income tax deduction and government grants.

Under the EIT Law, preferential tax treatment and income tax deduction are given to companies in certain encouraged sectors and to entities classified as a "High and New Technology Enterprise" (高新技術企業). As we were certified as a "High and New Technology Enterprise" in 2014 and 2017, respectively, thereby enabling us to enjoy a preferential income tax rate of 15% from 2014 to 2017 and from 2017 to 2020, respectively. In addition, our research and development costs are qualified for income tax deduction for the same periods. On the expiry of the qualification, we plan to apply for extension of this preferential tax treatment and income tax deduction. However, there is no guarantee that we will continue to benefit from our current preferential tax treatment and income tax deduction. The EIT Law may be amended to adopt more restrictive assessment criteria and we cannot assure you that we will continue to qualify for the required classification. Failure to do so may subject us to increased tax obligations. For more information, see "Financial Information — Management's Discussion and Analysis of Financial Condition and Results of Operations — Description of Components of Results of Operations — Income tax."

During the Track Record Period, we also received government grants from the local government authorities in relation to, among other things, technical research and development, industrialization and the Listing. For the years ended 31 December 2017 and 2018 and the six months ended 30 June 2019, we recorded government grants of RMB6.8 million, RMB8.4 million and RMB0.5 million, respectively. Such government grants are non-recurring in nature, therefore, we may not continue to receive similar government grants in the future.

If we were not entitled to preferential tax treatment, income tax deduction and government grants during the Track Record Period, it is estimated that there would be a decrease in our net profit of RMB8.4 million, RMB10.8 million and RMB2.8 million, respectively, for the years ended 31 December 2017 and 2018 and the six months ended 30 June 2019.

Our cash flow position may deteriorate owing to the mismatch in time between receipt of payments from our customers and payments to our suppliers if we are unable to manage our cash flow mismatch properly.

We purchase raw materials and finished goods from our suppliers based on our orders and procurement policy. We rely partly on cash inflow from our customers to meet our payment obligations to our suppliers. Our cash inflow is dependent on prompt settlement of our payments. As of 31 December 2017 and 2018 and 30 June 2019, our average turnover days of trade debtors and bills receivables were 65.8 days, 22.3 days and 18.8 days, respectively, which were longer than our average turnover days of trade payables for the same periods, being 35.9 days, 2.7 days and 6.3 days, respectively. For more information, see "Financial Information — Management's Discussion and Analysis of Financial Condition and Results of Operations — Discussion of Certain Items from the Statement of Financial Position" in this Prospectus. As a result, our daily operation has to rely on our internal sources and bank borrowings to maintain our cash flow and satisfy the needs of our daily operations. If we fail to manage the aforesaid cash flow mismatches, or if the cash flow mismatch is further aggravated, we may have to seek alternative resources and/or obtain additional banking facilities to meet our payment obligations, and our financial condition may be materially and adversely affected as a result.

We may not be able to efficiently manage our inventory and our inventory risk.

Our inventories consist of raw materials and finished goods. We purchase raw materials based on the types and amount of products ordered. We cannot assure you that we can accurately predict sales and avoid over-stocking or under-stocking of our inventories. In addition, when we purchase raw materials based on the customers' orders, we may not be able to consume all such inventories if a customer cancels or reduces its order. Changes in the product requirements of our customers may result in increases or decreases in demands for certain raw materials or finished goods, which may negatively impact our inventory levels. As of the Latest Practicable Date, RMB44.8 million, or 80.0%, of our finished goods and RMB13.8 million, or 74.6%, of our raw materials as of 30 June 2019 were subsequently utilized. Inventory levels in excess of customer demand may adversely impact our cash flow, liquidity and may increase our risk of inventory obsolescence, inventory write-downs or write-offs. On the contrary, if we underestimate demand or if our suppliers fail to deliver in a timely manner, we may experience inventory shortages, which could in turn result in unfulfilled customer orders, loss of sales and a negative impact on customer relationships. Any such failure could have an adverse effect on our business, financial condition and results of operations.

We had net current liabilities as of 31 December 2017.

As of 31 December 2017, we had net current liabilities of RMB3.2 million, and gearing ratio of 68.0%. For more information, see "Financial Information — Management's Discussion and Analysis of Financial Condition and Results of Operations — Discussion of Certain Items from the Statement of Financial Position — Net current (liabilities)/assets" and "Financial Information — Management's Discussion and Analysis of Financial Condition and Results of Operations — Key Financial Ratios — Gearing Ratio."

Our level of indebtedness may expose us to liquidity risk. Our future liquidity and ability to make additional capital investments necessary for our business operations and expansion plans will depend primarily on our ability to maintain sufficient cash generated from operating activities and to obtain external financing. Any failure to do so may increase our vulnerability to adverse economic or industry conditions, increase our exposure to interest rate fluctuations and limit our flexibility in planning for, or reacting to, changes in our business or industry.

In the event that we have net current liabilities in the future, our working capital for business operations may be constrained. We intend to use approximately 10.8% of the net proceeds from the Share Offer to repay our bank loan we obtained from a commercial bank primarily for expanding our business and approximately 5.0% of the net proceeds from the Share Offer to provide funding for our working capital and other general corporate purposes. However, this amount of funding may not be sufficient for our future operations and we may still need to obtain addition external financing. If we do not generate sufficient positive operating cash flow or obtain additional borrowings to meet our working capital needs, our business, financial condition and results of operations may be materially and adversely affected.

We recorded negative operating cash flow for the six months ended 30 June 2018 and 2019.

For the six months ended 30 June 2018 and 2019, we recorded negative operating cash flow in the amount of RMB4.2 million and RMB28,000, respectively. For more information, see "Financial Information – Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Cash Flow." We cannot assure you that we will be able to record positive operating cash flow in the future. We may have difficulty meeting our payment obligations if we continue to record negative operating cash flow in the future. If we experience negative operating cash flow in the future, our business, financial position and results of operations may be adversely affected.

We may experience shortages of, or price increases in, our raw materials.

Our operation depends on our ability to obtain an adequate supply of raw materials on commercially acceptable terms and in a timely manner. For the years ended 31 December 2017 and 2018 and the six months ended 30 June 2019, our raw material costs were RMB80.5 million, RMB123.2 million and RMB76.0 million, respectively, which represented 87.6%, 91.8% and 93.3% of our total production costs, respectively. During the Track Record Period, we did not enter into any long-term contracts with our suppliers. There can be no assurance that our major suppliers will continue to supply us with the required raw materials on favorable terms, or that shortages or disruptions in supply will not occur in the future. We may not be able to obtain an alternative supply of raw materials of similar quantity or quality to meet our production needs in a timely manner, or at all. Failure to do so may interrupt our operations or delay production and delivery, adversely impacting our customer relationships.

Furthermore, the price of our raw materials may fluctuate. If we experience significant increase in the price of raw materials, our total production costs would increase and we may not be able to transfer these additional costs to our customers, in which case our profit margin may decrease and our results of operations may be adversely affected.

We have not entered into long-term contracts with our customers and cannot assure our sales volumes will remain consistent. Therefore, a significant decrease in orders from any of them could adversely affect our business, results of operations and financial condition.

We have not entered into any long-term contracts with our customers. As such, our customers may change their suppliers or cease to place orders with us at any time and the volume of our customers' purchase orders may vary significantly from period to period. We cannot assure you that our customers will continue to place purchase orders with us in the future at the same level as in the current or prior periods, or at all. If we are unable to replace any loss orders from existing customers with new ones, our business, financial condition and results of operations may be materially and adversely affected.

We may experience intense competition and fail to compete effectively.

According to HCR, the architectural glass market in China is highly competitive, with our market share accounting for 0.8% by production volume in 2018 in China's coated glass market. We compete primarily on the basis of technical innovation and competitive price, production capacity and operational efficiency, research and development resources, quality of our products and our brand reputation and experienced management team. Our competitors in China may have stronger capital resources, larger customer bases, greater brand or name recognition, greater expertise in regional markets, greater financial, technical, marketing and public relations resources and a wider range of products than we do. As a result, such competitors may be better positioned to develop superior products, offer more favorable pricing to customers and adapt to the market trends than we are. The competitive pressure to achieve market acceptance and brand reputation may require us to reduce prices or increase costs, thus adversely affecting our profit margins. There can be no assurance that we will be able to transfer any additional costs to our customers. Any failure to compete effectively may diminish our sales and erode our market share, which could in turn materially and adversely affect our business, financial condition, results of operations and competitive position.

We may have difficulty in managing our future growth.

We recorded growth during the Track Record Period and expect to continue to expand our business or upgrade our production line. Our ability to do so will require us to effectively manage the resulting risks by, among other actions: (i) improving our operational, financial and management systems; (ii) developing the skills of our management team; (iii) hiring additional qualified personnel; (iv) training, motivating, managing and retaining our employees; (v) maintaining adequate facilities and equipment; and (vi) continuing to expand our research and development, sales and marketing and technological capabilities. However, we cannot assure you that our systems, procedures, personnel and expertise will be adequate to support our future growth. Any failure to sustain our profitability or manage our growth effectively may materially and adversely affect our business, financial condition and results of operations.

In addition, as we continue to expand our business or upgrade our production line, we expect our financing and operating costs to increase. Our long-term success also depends on our ability to secure existing and new customers and obtain sufficient capital. Any failure to manage these factors or our increased costs may undermine our ability to take advantage of market opportunities, execute our business plans or respond to competitive pressures.

We may fail in entering new markets and be exposed to various risks associated with conducting business operations in the markets in China.

We currently sell our architectural glass products in Southern China. We intend to further expand our market share in the markets of Central China and Eastern China, in which we have little brand reputation and limited or no experience. For more information, see "Business — Our Business Strategies — Expand our sales and marketing coverage." Expansion may stretch our capital and management resources that are otherwise available for our current business. In addition, the expansion may be subject to uncertainties and risks such as our ability to adapt to customers' preferences in new locations and general market conditions. Moreover, there may be many established incumbent players in these markets, who already enjoy significant market share, and it may be difficult for us to increase market share from them. We cannot guarantee that we will be able to anticipate or adapt to competitive conditions that are different from those in Southern China and failure to do so may materially and adversely affect our business, financial condition and results of operations.

Our success depends on our ability to retain members of our senior management team.

Our continuing and future success depends on the efforts of our senior management team, which includes Mr. Lin Gai, our deputy general manager who is responsible for matters relating to production, research and development and quality control of our Group, and Mr. Zheng Xubin, our deputy general manager who is responsible for the sales and marketing activities of our Group. As they possess industry expertise, technological know-how or experience in key areas such as risk management, research and development, production, sales and marketing and accounting and financial management, losing their services could have a material and adverse effect on our ability to sustain and grow our business. Moreover, our operations may be rendered non-competitive if any member of our senior management team with full knowledge of our production processes joins or forms a competing business. We may not be able to compensate for and estimate the extent of damage to our business, nor have we purchased keyman insurance for such members of our senior management team. In such cases, there is no assurance that we will be able to recruit replacement personnel with equivalent qualifications in a timely manner or at all, as competition for experienced management is fierce in our industry.

We are subject to health and safety laws and regulations and may be exposed to potential liabilities in relation to industrial accidents, physical injuries and claims by employees resulting from health and safety issues.

Our production processes involve machineries and equipment that may be prone to industrial accidents, potentially causing physical injuries or even fatalities of our employees. There is no assurance that industrial accidents, whether caused by malfunction or misuse of equipment or machineries, will not occur in the future. In such situations, we may be liable to claims brought against us by injured workers or their families in cases of fatalities. We may also be subject to fines or penalties for violations of applicable health and safety laws and regulations by government authorities as well as suspension of our operations for investigation after such incidents. In addition, we may also be required by local government authorities to amend and implement new health and safety requirements to prevent the reoccurrence of such incidents in the future. As a result, any such industrial accidents, physical injuries and claims by employees resulting from health and safety issues could have a material and adverse impact on our reputation, business, financial condition and results of operations.

Our operations are subject to certain PRC environmental laws and regulations and any failure to comply with environmental regulations would expose us to penalties, fines, suspensions or actions in other forms.

Our operations are subject to certain PRC environmental laws and regulations. For more information, see "Regulatory Overview — PRC Laws and Regulations Relating to Environmental Protection" in this Prospectus. In particular, we are required by the Environment Protection Bureau of Roncheng, Jieyang (揭陽市榕城區環保局) to renew National Pollutant Discharge Permit (國家排污許可證) in 2020, which replaces our Guangdong Pollutant Discharge Permit (廣東省污染物排放許可證), which expired on 29 March 2019. For more information, see "Business – Environmental Matters" in this Prospectus. Any failure to meet certain PRC environmental laws and regulations, and in particular, failure to renew Pollutant Discharge Permit in 2020, could subject us to fines, warnings and/or orders from relevant government authorities to rectify the problem within a specified period of time. In order to rectify such situations, we may be required to suspend our production temporarily or even permanently in cases of serious non-compliance. Should this situation arise, our business reputation, financial condition and results of operations may be materially and adversely affected. In addition, environmental laws and regulations may be amended from time to time as required by the PRC Government. We cannot assure you that our existing environmental policies and equipment will be adequate to meet future environmental policies and requirements and we may be required to incur additional costs to comply with such future requirements, which may be more stringent than present laws and regulations. In such situation, our capital expenditure and production costs will increase unexpectedly.

Our insurance coverage may not sufficiently cover the risks related to our business.

We purchase and maintain insurance policies that we believe are customary with the market practice in our industry and as required under the relevant laws and regulations. For more information about the insurance policies we maintain, see "Business — Insurance." However, we cannot guarantee that our insurance policies will provide adequate coverage for all the risks in connection with our business operations, which may harm persons or property during our production processes. Consistent with customary practice in China, we do not carry any business interruption, product liability, or litigation insurance. We may be required to bear our losses to the extent that our insurance coverage is insufficient. If we were to incur substantial losses and liabilities that are not covered by our insurance policies, we could suffer significant costs and diversion of our resources, which could have a material and adverse effect on our financial condition and results of operations.

We may be involved in claims, disputes and legal proceedings, which may adversely affect our financial condition, divert management attention and harm our reputation.

We may be involved in claims, disputes and legal proceedings in our ordinary course of business. These may concern issues relating to, among other things, contractual disputes, product returns due to quality defects, employment, intellectual property and environmental matters. In particular, the manufacture and sale of our products subjects us to potential product liability claims if our products are proven to fail or have failed to meet product safety laws and regulations, or cause or have caused injuries. If we are unsuccessful in product liability claims, we may be subject to substantial damages to compensate the claimants. Any claims, disputes and legal proceedings brought against us, with or without merit, could result in substantial costs and diversion of resources, and if we are unsuccessful, could materially harm our reputation. Furthermore, claims, disputes and legal proceedings against us may be due to defective raw materials and production equipment purchased from our suppliers, who may not be able to indemnify us for costs resulting from such claims, disputes and legal proceedings in a timely manner, or at all.

Defaults by counterparties that we do business with could materially and adversely affect our financial condition and results of operations.

We enter into various contracts with different counterparties in the ordinary course of business, including suppliers and customers. There is limited financial or public information available about these counterparties. As a result, counterparty risk is largely assessed on the basis of their reputation in the market place. We cannot assure you that any of our customers or suppliers can fulfill their obligations under the contracts we enter into with them.

Any defaults in payments from customers may adversely affect our cash flow position and our ability to satisfy working capital requirements. We have experienced default payment from two customers, resulting in unexpected increase in trade receivable and cash outflow. See "Business — Legal and Regulatory Matters — Legal Proceedings." If we cannot collect trade receivables in time, our cash flow and financial condition will be adversely affected.

Any defaults in providing raw materials from suppliers may restrict our production and we may incur significant additional costs in order to find alternative and reliable raw material suppliers. We cannot assure you that we will always be able to transfer these increased costs to customers. If we cannot transfer all or a portion of any of our increased raw material costs to our customers, it may have an adverse effect on our business, financial condition, results of operations and prospects. Moreover, we may also experience significant production delays while locating new supply source. The production delays may prevent us from providing required amount of products to our customers in time and may incur penalty costs or even cause us to lose the customer. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Our risk management and internal control systems may not be adequate or effective.

We have established risk management and internal control systems consisting of policies and procedures which we believe are appropriate for our business. However, we cannot assure you that our systems will be adequate. Since the effectiveness of our risk management and internal control systems depends on their implementation, we cannot guarantee that our employees will adhere to all policies and procedures. Moreover, the discharge of policies and procedures may involve human errors and mistakes. We may also be exposed to fraud or other misconduct committed by our employees, customers or third parties that could adversely affect our reputation and subject us to financial losses and sanctions imposed by government authorities. Our risk management and internal control systems may not identify all incidents of non-compliance or suspicious transactions in a timely manner, or at all. As we grow and evolve our business, we may be unable to timely adopt, implement and modify, as applicable, our risk management and internal control systems. Failure to do so may have a material and adverse effect on our business.

We may fail to manage the impact of seasonal patterns on our business.

We may be subject to seasonal patterns in relation to the occurrence of national holidays. For example, we recorded lower revenue in the first quarter of each year of the Track Record Period because we experienced a reduction in our sales activities during the Chinese New Year, when many of our customers were on holiday. Therefore, comparisons of our results of operations for the first quarter of each year with other quarters in the same or a different year are not necessarily meaningful. Additionally, our results of operations for any first quarter of each year may not be indicative of our financial performance for future quarters. Failure to manage the impact of seasonal patterns on our business may materially and adversely affect our financial condition and results of operations.

We may experience failures or security breaches of our information technology systems.

Our information technology system is critical to our operations. We rely on our information technology system, especially our financial management software, Kingdee financial system (金蝶), to manage key operational functions. Our information technology system allows us to process financial information and to comply with regulatory, legal and tax requirements. However, our information technology system may be vulnerable to damage or interruption from circumstances beyond our control, including but not limited to power shortages or failures, computer viruses, telecommunication failures, fires, natural disasters, security breaches and hardware or software failures. Any significant failure of our information technology system, or loss or leakage of confidential information could cause transaction errors, processing inefficiencies and loss of customers and sales, leading to negative impacts on our business. Additionally, we may incur significant costs in restoring any damaged information system.

We may not be able to protect our intellectual property rights.

We rely heavily on a combination of patents, trademarks and domain name registrations to protect our intellectual property rights. We also possess technological know-how and trade secrets in relation to production processes for our architectural glass products that we believe are material to our operations. For more information about our intellectual property, see "Business — Intellectual Property." We cannot guarantee that the various protective measures will be sufficient to protect our intellectual property rights and guard against misappropriation or unauthorized use. There can also be no assurance that we will be successful in enforcing confidentiality provisions or undertaking enforcement proceedings in the event that there is any misappropriation or unauthorized use of our intellectual property. If we fail to prevent such misappropriation or unauthorized use, a competitor may capitalize on our intellectual property and provide copycat products at competitive prices. This may diminish the value of our brand and materially and adversely affect our business. Moreover, any litigation to protect our intellectual property would be time-consuming and costly and divert management attention from our operations.

Any claims by third parties alleging possible infringement of their intellectual property rights would have an adverse effect on our business, brand and reputation.

We may become subject to claims from competitors or third parties alleging intellectual property infringement in our ordinary course of business. As our internal control measures to mitigate such risk may not prevent third parties from making such claims, there can be no assurance that we will not become involved in infringement lawsuits from time to time. For more information on internal control measures related to intellectual property management and risk assessment, see "Business — Risk Management and Internal Control." The merits of such claims can only be decided in a court of law. Any litigation involving us would be time-consuming and costly and divert management attention. In the case of an adverse determination, we may be required to pay substantial damages and change our production process, or be prevented from selling our products altogether. We may also find it necessary to seek licenses from third parties and pay ongoing royalties on unfavorable terms. Moreover, intellectual property litigation may damage our reputation, causing current or potential customers to defer or limit their purchase and use of our products.

Any complaints, claims and legal actions in connection with the use of our corporate name and our brand and any requirement of relevant authorities to amend our corporate name may adversely affect our business operations and reputation in the PRC.

The history of our Group can be traced back to 1992 when the operating subsidiary, Hongguang Glass bearing the brand "宏光" and "Hongguang," was established in the PRC in April 1992 which has been primarily engaging in the manufacture and sale of architectural glass products in the PRC. Since then, we have been consistently using the brand "宏光" and "Hongguang" and have adopted such name as the corporate names of all our Group companies, including the Company, and its intermediate investment holding companies, Hongguang International and Hongguang Technology. In addition, we have duly registered the trademarks bearing "宏光" for our business in the PRC where we mainly conduct our business, and in Hong Kong. However, we may still encounter companies with similar corporate names bearing "宏光" and "Hongguang," though in different industries, and, we may still face potential complaints, claims and legal actions, including infringement and passing-off claims, in connection with the use of our corporate name and our brand "Hongguang" in the PRC. In addition, even though we have labelled our products with our registered word mark and figurative mark, we may also be required to amend our corporate name by the relevant authorities to avoid confusion among potential investors and our customers. Consequently, our reputation and business operations in the PRC may be adversely affected.

Our performance depends on favorable labor relations with our employees, and we may experience deterioration in labor relations, labor shortages or a material increase in labor costs.

We seek to maintain favorable labor relations as we believe that our long-term growth depends on the expertise, experience and development of our employees. The deterioration of our labor relations could result in disputes, strikes, claims, legal proceedings and labor shortages that disrupt our operations, as well as loss of experience, technological know-how and trade secrets. Moreover, we may also have difficulties in recruiting or retaining employees or may face increasing labor costs. We cannot assure you that we will not experience any labor shortages or that labor costs in China will not increase in the future, or we can retain and attract sufficient qualified employees on commercial reasonable terms, or at all. If we experience any labor shortages, we may not be able to maintain our production volume. Furthermore, we may not be able to transfer any additional labor costs to our customers. Accordingly, significant labor shortages or increases in labor costs may materially and adversely affect our business, financial condition and results of operations.

RISKS RELATING TO DOING BUSINESS IN CHINA

We are vulnerable to adverse changes in economic, political and social conditions and government policies in China.

All of our operations and assets are located in China. Accordingly, our financial condition, results of operations and prospects are, to a significant degree, subject to the economic, political, social and legal conditions in China. The PRC economy differs from that of most developed countries in many respects, including the extent of government involvement, level of economic development, investment control, resource allocation, growth rate and control over foreign exchange. Before its adoption of reform and open-door policies beginning in 1978, China was primarily a planned economy. Since then, the PRC economy has been transitioning to become a market economy with socialist characteristics.

For approximately four decades, the PRC Government has implemented economic reform measures to utilize market forces in the PRC economy. Many of the reform measures are unprecedented or experimental and are expected to be modified from time to time. Other political, economic and social factors may lead to further readjustment or introduction of other reform measures. This reform process and any changes in laws and regulations or the interpretation or implementation thereof in China may have a material impact on our operations or may adversely affect our financial condition and results of operations.

While the PRC economy has grown significantly in the past 40 years, this growth has been geographically uneven among various sectors of the economy and during different periods. We cannot assure you that the PRC economy will continue to grow, or that if there is growth, such growth will be steady and uniform. Any economic slowdown may have a negative effect on our business. In the past, the PRC Government has periodically implemented a number of measures intended to slow down certain segments of the economy which the PRC Government believed was exhibiting exuberant market behavior. We cannot assure you that the various macroeconomic measures and monetary policies adopted by the PRC Government to guide economic growth and the allocation of resources will be effective in improving the growth rate of the PRC economy. In addition, such measures, even if they benefit the overall PRC economy in the long term, may materially and adversely affect us if they reduce demand for our products.

Uncertainties with respect to the PRC legal system could limit the legal protection available to you.

The legal system in China has inherent uncertainties that could limit the legal protection available to our Shareholders. As all of our business operations are conducted in China, we are principally governed by PRC laws, rules and regulations. The PRC legal system is based on the civil law system. Unlike the common law system, the civil law system is established on the written statutes and their interpretation by the Supreme People's Court (最高人民法院), while prior legal decisions and judgments have limited significance for guidance. The PRC Government has been developing a commercial law system, and has made significant progress in promulgating laws and regulations relating to economic affairs and matters, such as corporate organization and governance, foreign investments, commerce, taxation and trade.

However, many of these laws and regulations are relatively new, and due to the limited volume of published decisions, their implementation and interpretation involve uncertainties and may not be as consistent and predictable as in other jurisdictions. In addition, the PRC legal system is based in part on government policies and administrative rules that may have retroactive effect. As a result, we may not be aware of any violation of these policies and rules until some time after such violation has occurred. Furthermore, the legal protection available to us under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in China may be protracted and result in substantial costs and diversion of resources and management attention.

You may experience difficulties in effecting service of process or enforcing foreign judgments against us, our Directors or senior management residing in China based on Hong Kong or other foreign laws.

The Company is incorporated in the Cayman Islands. All of our assets are located in China and all of our Directors and senior management reside in China. Therefore, it may not be possible to effect service of process within Hong Kong or elsewhere outside of China upon us or our Directors or senior management. Moreover, China has not entered into treaties for the reciprocal recognition and enforcement of court judgments with Japan, the United Kingdom, the United States and many other countries. As a result, recognition and enforcement in China of a court judgment obtained in other jurisdictions may be difficult or impossible.

In addition, pursuant to the Arrangement of the Supreme People's Court on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**2006 Arrangement**") signed on 14 July 2006 and effective as of 1 August 2008, a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between the parties after the effective date of the arrangement in which a Hong Kong or PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, pursuant to the 2006 Arrangement, it may not be possible to enforce a judgment rendered by a Hong Kong court in China if the parties in the dispute do not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to enforce a Hong Kong court judgment against our assets or our Directors or senior management in China.

On 18 January 2019, the Supreme People's Court of the PRC and Department of Justice of Hong Kong signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "**2019 Arrangement**"). The 2019 Arrangement sets forth the scope, applicable rulings, procedures and manners to apply for recognition and enforcement examination on jurisdiction of the original court, conditions to refuse recognize and enforce, and remedies of reciprocal recognition and enforcement of judgments in civil and commercial matters. Following the promulgation of a judicial interpretation by the Supreme People's Court and the completion of the relevant procedures in Hong Kong, both sides shall announce a date on which the 2019 Arrangement shall become effective. The 2019 Arrangement shall apply to judgments made by a PRC or Hong Kong court on or after the effective date. When the 2019 Arrangement becomes effective, the 2006 Arrangement shall be terminated. However, the 2006 Arrangement remains applicable to a choice of court agreement in writing within the meaning of the 2006 Arrangement and signed before the effective date of the 2019 Arrangement.

Therefore, although the 2019 Arrangement has been signed, it remains unclear when such agreement will come into effect, and effectiveness and outcome of any action brought under the 2019 Arrangement may still be uncertain.

The PRC Government's control over foreign currency conversion may limit our foreign exchange transactions, including dividend payments on our Shares.

Currently, the Renminbi cannot be freely converted into any foreign currency, and the conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. There can be no assurance that, under a certain exchange rate, we will have sufficient foreign currencies to meet our foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends following completion of the Share Offer, do not require prior approval from SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the requisite licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be approved in advance by SAFE.

Under existing foreign exchange regulations, following completion of the Share Offer, we will be able to pay dividends in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, there can be no assurance that these foreign exchange policies regarding payment of dividends in foreign currencies will continue in the future. In addition, any insufficiency of foreign currencies may restrict our ability to obtain sufficient foreign currencies for dividend payments to our Shareholders or satisfy any other foreign exchange requirements.

Fluctuations in exchange rates may have a material and adverse impact on your investment.

The exchange rate of the Renminbi fluctuates against the Hong Kong dollar, U.S. dollar and other foreign currencies and is affected by, among other factors, the policies of the PRC Government and changes in international and domestic political and economic conditions. From 1994 to 20 July 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. In July 2005, the PRC Government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar. The current policy permits the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. In general, the Renminbi has depreciated since the end of 2015 from approximately RMB6.5 per U.S. dollar as of 31 December 2015 to approximately RMB6.9 per U.S. dollar as of 30 December 2016, subsequently appreciated to approximately RMB6.3 per U.S. dollar as of 30 March 2018, and then depreciated to approximately RMB6.9 per U.S. dollar as of 28 June 2019. It is difficult to predict how market forces and the PRC Government's policies will continue to impact Renminbi exchange rates going forward. The Renminbi may appreciate or depreciate significantly in value against the Hong Kong dollar, U.S. dollar or other foreign currencies in the long term, depending on the fluctuation of the basket of currencies against which it is currently valued, or it may be permitted to enter into full float, which may also result in significant appreciation or depreciation of the Renminbi against the Hong Kong dollar, U.S. dollar or other foreign currencies. The Hong Kong dollar is currently pegged to the U.S. dollar.

Such developments may depreciate the value of your investment. For example, significant appreciation of the Renminbi against the Hong Kong dollar could reduce the amount of Renminbi received from converting Share Offer proceeds or future financing efforts to fund our operations. In addition, significant depreciation of the Renminbi may increase the cost of converting our Renminbi-denominated cash flow into Hong Kong dollars.

We may be deemed a PRC resident enterprise under the EIT Law and be subject to PRC taxation on our global income.

Pursuant to the EIT Law, an enterprise established outside China whose "de facto management body" is located in China is considered a "PRC resident enterprise" and will generally be subject to the uniform enterprise income tax rate, or EIT rate, of 25% on its global income. Under the EIT Regulation, "de facto management body" is defined as the organizational body that effectively exercises management and control over such aspects as the business operations, personnel, accounting and properties of the enterprise.

On 22 April 2009, SAT released the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) ("**Circular 82**"), as amended on 29 December 2017, which sets out the standards and procedures for determining whether the "de facto management body" of an enterprise registered outside of China and controlled by PRC enterprises or PRC enterprise groups is located within China. Under Circular 82, a foreign enterprise controlled by a PRC enterprise or PRC enterprise group is considered a PRC resident enterprise if all of the following apply: (i) the senior management and core management departments in charge of daily business operations are located mainly within China; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in China; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders' meetings are located or kept within China; and (iv) at least half of the enterprise's directors with voting rights or senior management reside within China. In addition, Circular 82 requires that the determination of "de facto management body" shall be governed by the principle that substance is more important than form. Further to Circular 82, SAT issued the Chinese-Controlled Offshore Incorporated Resident Enterprises Income Tax Regulation (《境外註冊中資控股居民企業所得稅管理辦法(試行)》) ("**Bulletin 45**"), which took effect on 1 September 2011 and was latest amended on 15 June 2018 with effect from the same day, to provide more guidance on the implementation of Circular 82 and clarify the reporting and filing obligations of such "Chinese-controlled offshore incorporated resident enterprises." Bulletin 45 provides procedures and administrative details for the determination of resident status and administration of post-determination matters. Although Circular 82 and Bulletin 45 explicitly provide that the above standards apply to enterprises which are registered outside of China and controlled by PRC enterprises or PRC enterprise groups, Circular 82 may reflect SAT's criteria for determining the tax residence of foreign enterprises in general. If our global income were to be taxed under the EIT Law, our financial position and results of operations may be materially and adversely affected.

You may be subject to PRC income tax on dividends from us or on any gain realized on the transfer of our Shares under PRC law.

Under the EIT Law and the EIT Regulation, subject to any applicable tax treaty or similar arrangement between China and your jurisdiction of residence that provides for a different income tax arrangement, PRC withholding tax at the rate of 10% is normally applicable to dividends from PRC sources payable to investors that are non-PRC resident enterprises, which do not have an establishment or place of business in China, or which have such establishment or place of business if the relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such investors is subject to a 10% PRC income tax if such gain is regarded as income derived from sources within China unless a treaty or similar arrangement otherwise provides. Under the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》) and its implementation rules, dividends from sources within China paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realized by such investors on the transfer of shares are generally subject to a 20% PRC income tax, in each case, subject to any reduction or exemption set forth in applicable tax treaties and PRC laws.

Although all of our business operations are conducted in China, it is unclear whether dividends we pay with respect to our Shares, or the gain realized from the transfer of our Shares, would be treated as income derived from sources within China and as a result be subject to PRC income tax if we are considered a PRC resident enterprise. If PRC income tax is imposed on gains realized from the transfer of our Shares or on dividends paid to our non-PRC resident investors, the value of your investment in our Shares may be materially and adversely affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with China may not qualify for benefits under such tax treaties or arrangements.

Regulations relating to offshore investment activities by PRC residents may subject us to fines or sanctions imposed by the PRC Government, including restrictions on our PRC operating subsidiary's abilities to pay dividends or make distributions to us and our ability to increase our investment in our PRC operating subsidiary.

SAFE promulgated Circular 37 in July 2014, which abolished and superseded the Circular on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Round Trip Investment via Overseas Special Purpose Vehicles (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》). Pursuant to Circular 37, before domestic residents, including domestic institutions and individual residents, contribute their legally owned onshore or offshore assets and equity into an overseas special purpose vehicle ("**SPV**"), domestic residents shall conduct foreign exchange registration for offshore investment with the local branch of the SAFE. The SPV is defined as an offshore enterprise directly established or indirectly controlled by domestic residents, including domestic institutions and individual residents, using their legally held assets or interests of domestic enterprise or offshore assets or equity to conduct investment and financing transactions. Such PRC residents are also required to amend their registrations with SAFE when there is a change to the required information to the registered SPV, such as changes to its PRC resident individual shareholder, name, operation period or other required information, or the PRC individual resident's increase or decrease in its capital contribution in the SPV, or any share transfer or exchange, merger or division of the SPV. In accordance with Circular 13, the foreign exchange registration aforesaid has been directly reviewed and handled by banks since 1 June 2015, and SAFE and its branches perform indirect regulation over such foreign exchange registration through local banks. Under this regulation, failure to comply with the registration procedures set forth in Circular 37 may result in restrictions being imposed on the foreign exchange activities of our PRC operating subsidiary, including the payment of dividends and other distributions to its offshore parent or affiliate, the capital inflow from the offshore entities and its settlement of foreign exchange capital, and may also subject the relevant onshore company or PRC residents to penalties under PRC foreign exchange administration regulations.

We are committed to complying with and ensuring that our Shareholders who are subject to the regulations will comply with the relevant rules. Any future failure by any of our Shareholders who is a PRC resident, or controlled by a PRC resident, to comply with relevant requirements under this regulation could subject us to penalties or sanctions imposed by the PRC Government. However, we may not at all times be fully aware or informed of the identities of all of our Shareholders who are PRC residents, and we may not always be able to compel our Shareholders to comply with the requirements of Circular 37. Moreover, there is no assurance that the PRC Government will not have a different interpretation of the requirements of Circular 37 in the future.

PRC laws and regulations establish more complex procedures for some acquisitions of PRC companies by foreign investors, which could make it difficult for us to pursue growth through acquisitions in China.

A number of PRC laws and regulations, including the M&A Rules, the Anti-Monopoly Law (《反壟斷法》), and the Rules of Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《商務部實施外國投資者併購境內企業安全審查制度的規定》) promulgated by MOFCOM on 25 August 2011 and effective from 1 September 2011 (the "**Security Review Rules**"), have established procedures and requirements that are expected to make the review of certain merger and acquisition activities by foreign investors in China more time consuming and complex. These include requirements in some instances that MOFCOM be notified in advance of any transaction in which foreign investors take control of a PRC domestic enterprise, or that approval from MOFCOM be obtained in circumstances where overseas companies established or controlled by PRC enterprises or residents acquire affiliated domestic companies. PRC laws and regulations also require certain merger and acquisition transactions to be subject to merger control or security review.

The Security Review Rules were formulated to implement the Notice of the General Office of the State Council on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《國務院辦公廳關於建立外國投資者併購境內企業安全審查制度的通知》), which was promulgated by General Office of the State Council on 3 February 2011 and became effective from 3 March 2011. Under these rules, a security review is required for mergers and acquisitions of domestic enterprises by foreign investors involved in the military industry, enterprises located near key and sensitive military facilities and other units related to national defense and security and in key agricultural products, key energy and resources, vital infrastructure, important transportation services, core technologies and significant equipment manufacturing and other units related to national security, and their actual control rights may be acquired by foreign investors.

The Security Review Rules further prohibit foreign investors from bypassing the security review requirement by structuring transactions through proxies, trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions. It is unclear whether our business would be deemed to be in an industry that raises "national defense and security" or "national security" concerns. As there is a lack of clear statutory interpretation on the implementation of the Security Review Rules, there can be no assurance that MOFCOM will not apply these national security review-related rules to the acquisition of equity interest in our PRC operating subsidiary. If we are found to be in violation of the Security Review Rules and other PRC laws and regulations with respect to the merger and acquisition activities in China, or fail to obtain any of the required approvals, the relevant regulatory authorities would have broad discretion in dealing with such violations, including levying fines, confiscating our income, revoking our PRC operating subsidiary's business and operating licenses, requiring us to restructure or unwind the relevant ownership structure or business operations. Any of these actions could cause significant disruption to our business operations and may materially and adversely affect our business, financial condition and results of operations. Furthermore, if the business of any target company we plan to acquire falls into the ambit of security review, we may not be able to successfully acquire such company either by equity or asset acquisition, capital contribution or any contractual arrangement. We may grow our business in part by acquiring other companies operating in our industry. Complying with the requirements of the relevant regulations to complete such transactions could be time consuming, and any required approval processes, including approval from MOFCOM, may delay or inhibit our ability to complete such transactions, thus affecting our ability to expand our business or maintain our market share.

We rely on dividends paid by our PRC operating subsidiary for our cash needs, and any limitation on the ability of our PRC operating subsidiary to make payments to us could have a material and adverse effect on our ability to conduct our business operations.

We conduct all of our business operations through Hongguang Glass, our PRC operating subsidiary. Therefore, we rely on the dividends received from our PRC operating subsidiary for funds necessary to pay dividends to our Shareholders. PRC regulations currently permit dividends to be paid only out of distributable profits determined in accordance with the PRC GAAP. Our PRC operating subsidiary is required to set aside at least 10% of its after-tax profit calculated based on the PRC GAAP to its general reserve fund, until the aggregate amount of such reserve reaches 50% of its registered capital. This statutory reserve is unavailable for distribution as loans, advances, or cash dividends. We expect that such limitations on the ability of our PRC operating subsidiary to transfer funds to us may in turn materially and adversely restrict our ability to pay dividends to our Shareholders or otherwise fund and conduct our business operations. Additional limitations may include, but are not limited to, restrictive covenants in debt instruments and withholding tax.

Current PRC regulations of loans and direct investments by offshore holding companies to PRC entities may delay or prevent us from using the proceeds from the Share Offer to make loans or additional capital contributions to our PRC operating subsidiary.

Any loans or capital contributions that we, as an offshore entity, make to our PRC operating subsidiary, including from the net proceeds from the Share Offer, are subject to PRC regulations. For example, pursuant to the Notice of People's Bank of China on Matters Concerning Macro-prudential Management on All-round Cross-border Financing (《中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知》) promulgated by PBOC on 12 January 2017 and effective from the same day, any overseas loan to our PRC operating subsidiary cannot exceed its upper limit of the risk-weighted balance for cross-border financing which shall be calculated by its capital or net assets, the leverage rate of cross-border financing and the macro-prudential adjustment parameters. Such loans must be registered or filed on record. We cannot assure you that we will be able to complete the required registration and filing procedures in a timely manner or at all, with respect to future loans or capital contributions that we may make to our PRC operating subsidiary. Failure to do so may negatively affect our ability to use the proceeds of the Share Offer and to fund our business operations, which would in turn materially and adversely affect our liquidity and ability to expand our business.

Inflation in China could negatively affect our profitability and growth.

Economic growth in China has, in the past, been accompanied by periods of high inflation. In response, the PRC Government has implemented policies from time to time to control inflation, such as restricting the availability of credit by imposing tighter bank lending policies or higher interest rates. While inflation has eased recently in China, the PRC Government may take similar measures in response to future inflationary pressures. Rampant inflation without the PRC Government's mitigation policies would likely increase our costs of production and sales, thereby materially reducing our profitability. There is no assurance that we will be able to transfer any additional costs to our customers. In addition, such control measures may lead to slower economic activity and we may see reduced demand for our products and services.

The national and regional economies in China and our business may be adversely affected by factors beyond our control such as natural disasters, acts of war or terrorism and epidemics.

Our business is subject to general economic and social conditions in China. Certain factors beyond our control may adversely affect the economy, infrastructure and livelihood of people in the region where we conduct our business operations. Some regions in China may be susceptible to the threat of natural disasters, potential wars, terrorist attacks or epidemics such as Ebola, Severe Acute Respiratory Syndrome (SARS), H1N1 influenza, H5N1 influenza, H7N9 influenza and H3N2 influenza. Serious natural disasters and acts of war or terrorism may result in, among other things, power shortages or failures, loss of life, injuries, destruction of assets and disruption of our business operations. Severe communicable disease outbreaks may cause a widespread health crisis that materially and adversely affects economic systems and financial markets. Any of these factors and others beyond our control could have an adverse effect on the overall business sentiment and environment, create uncertainties in the region where we conduct our business operations, cause our business to suffer in ways that we cannot predict and materially and adversely impact our business, financial condition and results of operations.

RISKS RELATING TO THE SHARE OFFER

The state of political environment in Hong Kong may adversely affect the market price of our Shares.

Hong Kong is a special administrative region of the PRC and enjoys a high level of autonomy under the principle of "one country, two systems" according to the Basic Law of Hong Kong. However, there is no assurance that this principle and the level of autonomy will be fully implemented and maintained in the future, in light of the recent political and social unrest. Therefore, the stability of Hong Kong's economy and financial markets is not guaranteed and the market price of our Shares may be adversely affected as a result.

There has been no prior market for our Shares, and their liquidity and market price following the Share Offer may be volatile.

Prior to the Share Offer, there has been no public market for our Shares. The Offer Price will be determined through negotiations between us and the Joint Bookrunners (for themselves and on behalf of the Underwriters), and it may differ significantly from the market price of our Shares following the Share Offer. In addition, there can be no guarantee that: (i) an active or liquid trading market for our Shares will develop; or (ii) if such a trading market does develop, it will be sustained following completion of the Share Offer; or (iii) the market price of our Shares will not decline below the Offer Price. The trading volume and price of our Shares may be subject to significant volatility in response to, among other things, the following factors:

- variations in our revenue, earnings and cash flow;
- announcements of new technologies;
- strategic alliances or acquisitions;

- industrial or environmental accidents, litigation or loss of key personnel suffered by us;
- changes in laws and regulations that impose limitations on our industry;
- fluctuations in the market prices of our products;
- announcements made by us or our competitors;
- changes in investors' perception of us and the investment environment generally;
- changes in pricing made by us or our competitors;
- the liquidity of the market for our Shares; and
- general economic and other factors.

In addition, the trading market for our Shares will be influenced by research reports that industry or securities analysts publish about us or our business. If one or more analysts who cover us downgrade our Shares or publish negative opinions about us, the market price of our Shares would likely decline regardless of the accuracy of the information. If one or more of these analysts cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could in turn cause the market price or trading volume of our Shares to decline.

Furthermore, GEM and other securities markets have from time to time experienced significant price and volume fluctuations that are not related to the operating performance of any particular company. These fluctuations may also materially and adversely affect the trading volume and market price of our Shares.

Future sales, or market perception of sales, of a substantial number of our Shares by existing Shareholders in the public market could affect the market price of our Shares.

The market price of our Shares could decline as a result of future sales of a substantial number of our Shares or other securities relating to our Shares in the public market, or the issuance of new Shares or other securities relating to our Shares, or the perception that such sales or issuance may occur. Our Shares held by the Controlling Shareholders are currently subject to certain lock-up undertakings, the details of which are set out in "Underwriting — Underwriting Arrangements and Expenses" in this Prospectus. However, there is no assurance that following the expiration of the lock-up periods, the Controlling Shareholders will not dispose of any Shares. We cannot predict the effect of any future sales of the Shares by any of the Controlling Shareholders on the prevailing market price of the Shares.

Moreover, future sales, or perceived sales, of substantial amounts of our Shares or other securities relating to our Shares, including as part of any future offerings, could materially and adversely affect the prevailing market price of our Shares and our ability to raise future capital at a favorable time and price.

Our Controlling Shareholders have substantial influence over the Company and their interests may not be aligned with the interests of Shareholders who subscribe for Shares in the Share Offer.

Immediately after the Share Offer and assuming the Offer Size Adjustment Option is not exercised, our Controlling Shareholders will directly or indirectly control the exercise of 50.25% of voting rights in the general meeting of the Company. The interests of our Controlling Shareholders may differ from the interests of our other Shareholders. Our Controlling Shareholders could have significant influence in determining the outcome of any corporate transaction or other matters submitted to our Shareholders for approval, including mergers, consolidations and sale of all or substantially all of our assets, election of Directors and other significant corporate actions. They will also have veto power with respect to any shareholder actions or approvals requiring a majority vote except where they are required by relevant rules to abstain from voting. Such concentration of ownership also may have the effect of delaying, preventing or deterring transactions or matters that would otherwise benefit our Shareholders.

We have significant discretion as to how we will use the net proceeds from the Share Offer, and you may not necessarily agree with how we use them.

Our management may spend the net proceeds from the Share Offer in ways that you may not agree with or do not yield a favorable return. We plan to use the net proceeds from the Share Offer to implement our business strategies. For details of our intended use of proceeds, see "Statement of Business Objectives and Use of Proceeds." However, our management will have discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the net proceeds from this Share Offer.

Potential investors will experience immediate and substantial dilution as a result of the Share Offer and could face dilution as a result of future equity financings.

Potential investors will pay a price per Share that substantially exceeds the per Share value of our tangible assets after subtracting our total debt and will therefore experience immediate dilution when potential investors purchase our Shares in the Share Offer. In order to expand our business, we may offer and issue additional Shares in the future. Our Shareholders may experience further dilution in the net tangible book value per Share if we issue additional Shares at a price lower than the net tangible book value per Share at the time of their issue.

There is no guarantee that the Company will declare dividends in the future.

A declaration of dividends is proposed by our Board of Directors and the amount of any dividends will depend on various factors, including, without limitation, our results of operations, financial condition, future prospects and other factors which our Board of Directors may determine are important. Accordingly, our historical dividend distributions are not indicative of our future dividend distribution policy, and potential investors should be aware that the amount of dividends paid previously should not be used as a reference or basis upon which future dividends are determined. We cannot guarantee when, if and in what form dividends will be paid in the future. For more information about our dividend policy, see "Financial Information — Dividend."

We cannot guarantee the accuracy of facts, forecasts and statistics with respect to China, the PRC economy and our relevant industries contained in this Prospectus.

Certain facts, forecasts and statistics in this Prospectus relating to China, the PRC economy and industries relevant to us have been derived from information provided or published by PRC Government agencies, industry associations, independent research institutions or other third-party sources, and we can guarantee neither the quality nor the reliability of such source materials. They have not been prepared or independently verified by us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters or any of its or their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside of China. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies and should not be relied upon. Furthermore, there can be no assurance that they are stated or compiled on the same basis, or with the same degree of accuracy, as similar statistics presented elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts, forecasts or statistics.

The Share Offer is subject to potential termination of the Underwriting Agreements.

Prospective investors of the Offer Shares should note that the Joint Bookrunners are entitled to terminate their obligations under the Underwriting Agreements, for themselves and on behalf of the Underwriters, by giving notice in writing to us upon the occurrence of any of the events set out in "Underwriting — Underwriting Arrangements and Expenses — The Public Offer — Grounds for termination" in this Prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such events include, without limitation, any acts of God, wars, riots, public disorder, civil commotion, fire, flood, tsunami, explosions, epidemic, pandemic, acts of terrorism, earthquakes, strikes or lock-outs. Should the Joint Bookrunners exercise their rights and terminate the Underwriting Agreements, the Share Offer will not proceed and will lapse.

Forward-looking statements contained in this Prospectus are subject to risks and uncertainties.

This Prospectus contains certain forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this Prospectus, the words "aim," "anticipate," "believe," "can," "propose," "continue," "could," "estimate," "expect," "going forward," "intend," "ought to," "may," "might," "plan," "target," "potential," "predict," "project," "seek," "should," "will," "would," the negative and similar expressions of these words, as they relate to the Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, business operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this Prospectus. Subject to the ongoing disclosure obligations of the GEM Listing Rules or other requirements of the Stock Exchange, we do not intend publicly to update or otherwise revise the forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. Investors should not place undue reliance on such forward-looking statements and information.

Investors may experience difficulties in enforcing their shareholders' rights as the laws of the Cayman Islands may differ from those of Hong Kong or other Jurisdictions where investors may be located.

Our Company is incorporated in the Cayman Islands and our affairs are governed by the Articles, the Companies Law and common law applicable in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those in Hong Kong and other jurisdictions. Such differences mean that the remedies available to our minority Shareholders may be different from those they would have under the laws of Hong Kong or other jurisdictions. For more information, see "Appendix III — Summary of the Constitution of the Company and Cayman Islands Company Law" in this Prospectus.

You should read this entire Prospectus carefully and should not consider or rely on any particular statements in this Prospectus or in published media reports without carefully considering the risks and other information in this Prospectus.

Prior or subsequent to the publication of this Prospectus, there has been or may be press and media coverage regarding us and the Share Offer, in addition to marketing materials published by us in compliance with the GEM Listing Rules. Such press and media coverage may include references to information that does not appear in this Prospectus or is inaccurate. We have not authorized the publication of any such information about us contained in unauthorized press and media coverage. Therefore, we make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media and we do not accept any responsibility for the accuracy or completeness of any financial information or forward-looking statements contained therein. To the extent that any of the information in the media is inconsistent or conflicts with the information contained in this Prospectus, we expressly disclaim it. Accordingly, prospective investors should only rely on information included in this Prospectus and should not rely on any of the information in press articles or other media coverage in making any decision as to whether or not to purchase the Offer Share.

JOINT COMPANY SECRETARIES

According to Rules 5.14 and 11.07(2) of the GEM Listing Rules, the company secretary of the issuer must be a person who has the requisite knowledge and experience to discharge the functions of the company secretary and is either: (i) a member of the Hong Kong Institute of Company Secretaries, a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong) or a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong); or (ii) an individual who, by virtue of his or her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

We have appointed Mr. Weng Weilin ("**Mr. Weng**") and Mr. Wong Cheung Ki Johnny ("**Mr. Wong**") as our joint company secretaries. Mr. Wong is an associate of The Hong Kong Institute of Chartered Secretaries and meets the requirements under Rules 5.14 and 11.07(2) of the GEM Listing Rules. Since Mr. Weng does not possess the requisite qualifications stipulated in Rules 5.14 and 11.07(2) of the GEM Listing Rules, he is not able to solely fulfil the requirements as a company secretary of a listed issuer stipulated under Rules 5.14 and 11.07(2) of the GEM Listing Rules.

Mr. Weng joined our Group in February 2017 as an assistant to the general manager and has been primarily responsible for corporate compliance and corporate secretarial matters in the PRC. Since then, he has worked closely with our Directors and senior management and is familiar with the business, operations and the affairs of our Group. Despite Mr. Weng does not possess the requisite qualifications or the relevant experience stipulated in Rules 5.14 and 11.07(2) of the GEM Listing Rules, Mr. Weng has performed corporate compliance and corporate secretarial matters and has contributed positively to our business development. It is expected that Mr. Weng will continue to handle the related corporate compliance and corporate secretarial matters upon the Listing. We therefore consider that it is justifiable to devote resources to equip Mr. Weng with the relevant experience with the support and assistance of the joint company secretary, Mr. Wong. We are of the view that with the assistance of Mr. Wong, Mr. Weng is capable of discharging the functions of a company secretary of our Company. Our Directors are of the view that the joint company secretaries arrangement is beneficial to our development in the long run which is in the interests of our Company and the Shareholders.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 5.14 and 11.07(2) of the GEM Listing Rules in relation to the appointment of Mr. Weng as our joint company secretary for a period of three years commencing from the Listing Date. In order to provide support and assistance to Mr. Weng, we have appointed Mr. Wong to act as a joint company secretary for a period of three years from the Listing Date so as to enable Mr. Weng to acquire the relevant experience (as required under Note 2 to Rule 5.14 of the GEM Listing Rules) and to duly discharge the functions of a company secretary of a listed issuer. In order to acquire a good understanding of the GEM Listing Rules and other applicable Hong Kong law, Mr. Weng will endeavour to attend relevant training courses during such three-year period.

Before the expiry of such three-year period, we will further consult with the Stock Exchange and assess the experience of Mr. Weng at the time in order to determine whether the requirements as stipulated in Rules 5.14 and 11.07(2) of the GEM Listing Rules can be satisfied at that time. If, subject to the Stock Exchange's view, such requirements cannot be satisfied by Mr. Weng after such three-year period, we will take appropriate actions for compliance with Rules 5.14 and 11.07(2) of the GEM Listing Rules, including an extension of the joint company secretaries arrangement, or appoint a suitable candidate who will be able to comply with the requirements under Rules 5.14 and 11.07(2) of the GEM Listing Rules as the company secretary of the Company.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This Prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purpose of giving information with regard to the Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief:

(a) the information contained in this Prospectus is accurate and complete in all material respects and is neither misleading nor deceptive;

(b) there are no other matters the omission of which would render any statement herein or this Prospectus as a whole misleading; and

(c) all opinions expressed in this Prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are considered fair and reasonable.

THIS PUBLIC OFFER AND THE PROSPECTUS

This Prospectus is published solely in connection with the Public Offer, which forms part of the Share Offer. For applicants under the Public Offer, this Prospectus and the Application Forms set out the terms and conditions of the Public Offer. See "How to Apply for the Public Offer Shares" in this Prospectus and the Application Forms for further details of the procedures for applying for the Public Offer Shares.

The Public Offer Shares are offered solely on the basis of the information contained and representations made in this Prospectus and the Application Forms and on the terms and conditions set out herein and therein. No person has been authorized to give any information or make any representations other than those contained in this Prospectus and the Application Forms and, if given or made, such information or representations must not be relied on as having been authorized by us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Share Offer. Neither the delivery of this Prospectus nor any offering, sale or delivery made in connection with our Shares shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this Prospectus or imply that the information in this Prospectus is correct as of any subsequent time.

STRUCTURE OF THE SHARE OFFER AND UNDERWRITING

See "Structure and Conditions of the Share Offer" in this Prospectus for further details of the structure of the Share Offer, including its conditions and the arrangements relating to the Offer Size Adjustment Option. The Listing is sponsored by the Sole Sponsor. The Share Offer is managed by the Joint Bookrunners. The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is subject to the Price Determination Agreement. The Placing is fully underwritten by the Placing Underwriters under the terms of the Placing Underwriting Agreement. If, for any reason, the Offer Price is not agreed, the Share Offer will not proceed and will lapse. See "Underwriting" in this Prospectus for further details of the Underwriters and the Underwriting arrangement.

RESTRICTIONS ON OFFER OF THE OFFER SHARES

No action has been taken to permit the offering of the Offer Shares or the distribution of this Prospectus and/or the related Application Forms in any jurisdiction other than in Hong Kong. Accordingly, without limitation to the following, this Prospectus and/or the related Application Forms may not be used for the purpose of, and does not constitute, an offer or invitation nor is it taken as an invitation or solicitation of offers in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation.

The distribution of this Prospectus and/or the related Application Forms and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable laws, rules and regulations of such jurisdictions, pursuant to registration with or authorization by the relevant regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been publicly offered and sold, and will not be offered or sold, directly or indirectly in the PRC or the United States.

Each person acquiring the Offer Shares will be required to confirm, or by his or her acquisition of the Offer Shares be deemed to confirm, that he or she is aware of the restrictions on the offer of the Offer Shares described in this Prospectus and/or the related Application Forms and that he or she is not acquiring, and has not been offered, any such Shares in circumstance that contravenes any such restrictions.

Prospective investors for the Offer Shares should consult their financial advisers and take legal advice as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction.

PROCEDURE FOR APPLICATION FOR THE PUBLIC OFFER SHARES

The procedure for application for the Public Offer Shares is set out in "How to Apply for the Public Offer Shares" in this Prospectus and on the relevant Application Forms.

APPLICATION FOR THE LISTING ON GEM

The Company has applied to the Stock Exchange for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued (including additional Shares that may be issued pursuant to the exercise of the Offer Size Adjustment Option) pursuant to the Capitalization Issue and the Share Offer. No part of the share or loan capital of the Company is listed on or dealt in on any other stock exchange. At present and in the near future, the Company is not seeking or proposing to seek a listing of, or permission to deal in, any part of the Shares or loan capital on any other stock exchange.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of the Listing and at all times thereafter, the Company must maintain the minimum prescribed percentage of at least 25% of the issued share capital of the Company in the hands of the public. A total of 75,000,000 Offer Shares for subscription, which represent 25% of the Company's enlarged issued share capital will be in the hands of the public immediately following the completion of the Share Offer and upon the Listing.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, if the permission for the Shares offered under this Prospectus to be listed on GEM has been refused before the expiration of three weeks from the date of the closing of the Share Offer, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to the Company for permission by or on behalf of the Stock Exchange, then any allotment made on an application in pursuance of this Prospectus shall, whenever made, be void.

HONG KONG SHARE REGISTER AND STAMP DUTY

All of the Shares will be registered on the Company's branch register of members to be maintained in Hong Kong by the branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong. The Company's principal register of members will be maintained in the Cayman Islands by the principal share registrar and transfer office. Only Shares registered on the Company's branch register of members maintained in Hong Kong may be traded on GEM, unless the Stock Exchange agrees otherwise.

Dealings in the Shares registered on our branch register of members maintained in Hong Kong will be subject to the Hong Kong stamp duty. Hong Kong stamp duty, currently charged at the ad valorem rate of 0.1% on the higher of the consideration for, or the market value of, the Shares, will be payable by the purchaser on every purchase and by the seller on every sale of the Shares (in other words, a total stamp duty of 0.2% is currently payable on a typical sale and purchase transaction involving the Shares). No stamp duty is payable by applicants in the Share Offer.

Unless determined otherwise by the Company, dividends in respect of the Shares will be paid to the Shareholders listed on the Company's Hong Kong branch register of members to be maintained in Hong Kong by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder or, in the case of joint Shareholders, the first-named Shareholder in accordance with the Articles.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this Prospectus on GEM and the Company's compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. If investors are unsure about the details of CCASS settlement arrangement and how such arrangements will affect their rights and interests, they should seek the advice of their stock broker or other professional advisers.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Share Offer are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscription for, purchase, holding or disposal of, dealings in or the exercise of any rights in relation to, the Offer Shares. None of the Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, advisers, officers, employees, agents or representatives (where applicable) or any other person or party involved in the Share Offer accepts responsibility for any tax effects on or liabilities of any person resulting from the subscription for, purchase, holding or disposal of, dealings in or the exercise of any rights in relation to, the Offer Shares.

LANGUAGE

If there is any inconsistency between the English version of this Prospectus and the Chinese translation of this Prospectus, the English version of this Prospectus should prevail. If there is any inconsistency between the Chinese names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations and the like mentioned in this Prospectus and their English translations, the Chinese names shall prevail.

ROUNDING

In this Prospectus, where information is presented in hundreds, thousands, ten thousands, millions, hundred millions or billions, certain amounts of less than one hundred, one thousand, ten thousand, one million, a hundred million or a billion, as the case may be, have been rounded up or down to the nearest hundred, thousand, ten thousand, million, hundred million or billion, respectively. Unless otherwise stated, all of the numerical figures are rounded to one decimal place. Accordingly, figures shown as totals in certain tables may not be an authentic aggregation of the figures preceding them. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

EXCHANGE RATE CONVERSION

Solely for your convenience, this Prospectus contains translations of certain Renminbi amounts into Hong Kong dollars or vice versa at specified rates. No representation is made that the Renminbi amounts could actually be converted into any Hong Kong dollar amounts at the rates indicated or at all. Unless we indicate otherwise, the translation of Renminbi into Hong Kong dollars was made at the rate of RMB0.89789 to HK$1.00, the exchange rate prevailing on the Latest Practicable Date, set by PBOC for foreign exchange transactions. Unless we indicate otherwise, the translation of Renminbi into U.S. dollars was made at the rate of RMB7.002 to US$1.00, the exchange rate prevailing on the Latest Practicable Date, set by SAFE for foreign exchange transactions.

DEALING

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. on Monday, 13 January 2020. Shares will be traded in board lots of 3,000 Shares each. The stock code for our Shares is 8646. The Company will not issue any temporary documents or evidence of title.

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. Wei Jiakun (魏佳坤)	Flat A, 21st Floor, Building No. 8, Jinrun Dihaowan, Rongcheng, Jieyang, Guangdong, the PRC	Chinese
Ms. Lin Weishan (林偉珊)	Flat A, 21st Floor, Building No. 8, Jinrun Dihaowan, Rongcheng, Jieyang, Guangdong, the PRC	Bissau-Guinean
Mr. Chen Biming (陳壁明)	Room 502, Block B, Jindu Garden II, Dongshan Haiguan East, Rongcheng, Jieyang, Guangdong, the PRC	Chinese
Ms. Li Wanna (李婉娜)	No. 32, 2nd Lane, Hei Hedong Wei, Hemei Village, Yuhu Town, Airport Economic Zone, Jieyang, Guangdong, the PRC	Chinese
Independent Non-executive Directors		
Ms. Chen Xiuyan (陳秀燕)	Room 204, Building No. 7, Yindu Cuiyuan, Bingang Road, Shantou City, Guangdong, the PRC	Chinese
Mr. Jia Xiaogang (賈小剛)	Room 904, Block No. 11, Tianyuan District Residential Area, Zhuzhou City, Hunan Province, the PRC	Chinese
Mr. Wu Yong (吳勇)	Room 601, Building No. 2, No. 5, Ren Yuan, Jianye District, Nanjing City, Jiangsu Province, the PRC	Chinese

Please refer to “Directors and Senior Management” for further information.

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor	**Dongxing Securities (Hong Kong) Company Limited** *A corporation licensed under the SFO and permitted to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO* 6805-6806A, 68/F, International Commerce Centre 1 Austin Road West Kowloon, Hong Kong
Joint Bookrunners and Joint Lead Managers	**I Win Securities Limited** *A corporation licensed under the SFO and permitted to carry out type 1 (dealing in securities) regulated activities under the SFO* Room 1916, Hong Kong Plaza 188 Connaught Road West Hong Kong **Elstone Securities Limited** *A corporation licensed under the SFO and permitted to carry out type 1 (dealing in securities) regulated activities under the SFO* Suite 1601-1604, 16/F, West Tower, Shun Tak Centre 168-200 Connaught Road Central Hong Kong
Legal advisers to the Company	*As to Hong Kong law:* **MinterEllison LLP** Level 32, Wu Chung House 213 Queen's Road East Hong Kong *As to PRC law:* **Beijing DHH Law Firm** 12/F, Tower C, Yintai Center No. 2 Jianguomenwai Street Chaoyang District Beijing the PRC *As to Cayman Islands law:* **Conyers Dill & Pearman** Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands

Legal advisers to the Sole Sponsor and the Underwriters	*As to Hong Kong law:* **Stephenson Harwood** 18th Floor, United Centre 95 Queensway Hong Kong *As to PRC law:* **AllBright Law Offices** 9, 11-12/F, Shanghai Tower No. 501, Yincheng Middle Rd. Pudong New Area Shanghai the PRC
Auditors and reporting accountants	**KPMG** *Certified Public Accountants* 8th Floor, Prince's Building 10 Chater Road Central, Hong Kong
Independent industry consultant	**HCR Co., Ltd.** 1F, South Building No. 18 Jiuxianqiao Middle Road Chaoyang District Beijing the PRC
Internal control consultant	**BT Corporate Governance Limited** 2nd Floor, 625 King's Road, North Point, Hong Kong
Building consultant	**Shenzhen City Shirui Building Technology Co., Ltd** Building A, Diweixin Industrial Zone Beihuan Avenue, Shiyan Street Baoan District Shenzhen the PRC
Receiving bank	**DBS Bank (Hong Kong) Limited** 16/F The Center 99 Queen's Road Central Hong Kong

Registered office	Cricket Square, Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Head office and principal place of business in the PRC	Eastside of Middle of Rongchi Road Xianqiao, Rongcheng, Jieyang Guangdong, the PRC
Principal place of business in Hong Kong	9th Floor, Wah Yuen Building 149 Queen's Road Central Central Hong Kong
Company's website	**www.hongguang.hk** *(the contents of this website do not form part of this Prospectus)*
Joint company secretaries	Mr. Wong Cheung Ki Johnny *FCPA*, *FCIS*, *FCS* Flat 9A, 9/F, Pacific Palisades North Point Hong Kong Mr. Weng Weilin Room 201, Block 37 Chaoyang Zhuang Central, Longhu District Shantou City, Guangdong the PRC
Authorized representatives (for the purpose of the GEM Listing Rules)	Mr. Wei Jiakun Flat A, 21st Floor, Building No. 8 Jinrun Dihaowan, Rongcheng Jieyang, Guangdong the PRC Mr. Weng Weilin Room 201, Block 37 Chaoyang Zhuang Central, Longhu District Shantou City, Guangdong the PRC
Compliance officer	Mr. Wei Jiakun Flat A, 21st Floor, Building No. 8 Jinrun Dihaowan, Rongcheng Jieyang, Guangdong the PRC
Audit Committee	Ms. Chen Xiuyan *(Chairwoman)* Mr. Jia Xiaogang Mr. Wu Yong

Remuneration Committee	Mr. Wu Yong *(Chairman)* Ms. Chen Xiuyan Mr. Jia Xiaogang
Nomination committee	Mr. Jia Xiaogang *(Chairman)* Ms. Chen Xiuyan Mr. Wu Yong
Principal share registrar and transfer office	Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Hong Kong Branch Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong
Compliance adviser	**Dongxing Securities (Hong Kong) Company Limited** Room 6805-6806A 68/F, International Commerce Centre 1 Austin Road West, Kowloon Hong Kong
Principal bankers	Agricultural Bank of China Limited Jieyang Branch Middle Section of Meiyang Road, Dongshan, Rongcheng, Jieyang, Guangdong, the PRC
	Bank of China Limited Jieyang Branch Linjiang North Road North, Xiaocui Road East, Dongshan, Rongcheng, Jieyang, Guangdong, the PRC
	DBS Bank (Hong Kong) Limited 11th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong

The information presented in this section has been derived from an independent industry report prepared by HCR. The Industry Report is based on information from its database, publicly available sources, industry reports, data obtained from interviews and other sources. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information set out in this section has not been independently verified by us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our and their respective directors, officers, affiliates, advisers, or representatives, or any other person or party involved in the Share Offer (which, for the purpose of this paragraph, excludes HCR) and neither do we make no representation as to the completeness, accuracy or fairness of such information and accordingly such information should not be unduly relied upon.

SOURCE OF INFORMATION

We commissioned HCR, an independent market research and consulting company, to analyze and prepare the Industry Report on the architectural glass industry in China. Founded in 1993, HCR provides industry research and strategic market insights for companies all over the world. We agreed to pay HCR a total fee of RMB405,004 for its preparation and our use of the Industry Report. We have extracted certain information from the Industry Report in this section, as well as in the sections headed "Summary," "Risk Factors," "Business," "Financial Information" and elsewhere in this Prospectus to provide our potential investors with a more comprehensive presentation of the industry in which we operate.

During the preparation of the Industry Report, HCR has relied on statistics and information obtained through both primary and secondary researches. Primary research includes discussing the status of the industry with leading industry participants and industry experts, while secondary research includes reviewing company reports, databases of relevant official authorities and professional agencies, independent reports and publications, as well as the proprietary database established by HCR. HCR has also cross-checked the data obtained from different sources to ensure such data are in line with the practice of the industry. During the forecast years from 2019 to 2023, the forecasts were made by HCR on the basis of the following assumptions: (i) the successful completion of the future macroeconomic indicators of the 13th Five-Year Plan; and (ii) the continuing development trend of the Company.

Our Directors confirmed, after making reasonable enquiries and taking reasonable care, that as of the Latest Practicable Date, there had been no adverse change in the market information set forth herein since the date on which the Industry Report was issued which may materially qualify, contradict or have an impact on such information.

CHINA'S ECONOMIC GROWTH

China's economy has maintained a steady growth in recent years. As a core pillar of China's economy, the construction industry is expected to grow for the same periods, driven by the steady growth of China's economy. The relatively high growth rate of the fixed asset investment is anticipated to further drive the development of the construction industry and provide a sound macroeconomic environment for the development of the architectural glass industry.

THE COATED GLASS MARKET IN CHINA

Overview

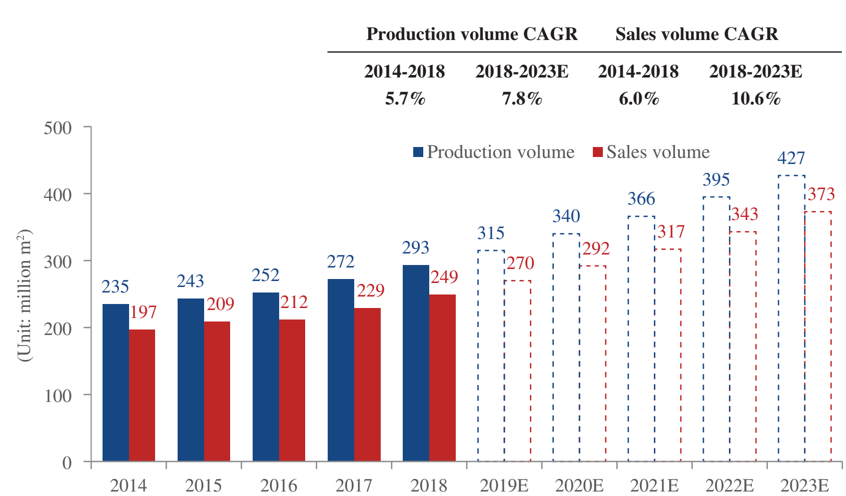
Coated glass is a type of energy-saving glass which is commonly used in the construction industry. Coated glass mainly includes Low-E glass, solar control glass, conductive glass and self-cleaning glass. Coated glass can also be processed into insulating glass, laminated glass and tempered glass. Set out below are the characteristics and usage of Low-E glass, solar control glass, conductive glass, insulating glass and laminated glass:

	Characteristics	Usage
Low-E glass	Glass coated with low-emissivity coating which has low surface radiation rate to reduce infrared radiation or heat generally, while allowing visible light through the glass, mainly including: (i) single-silver Low-E glass: Low-E glass with a silver layer, which reduces less infrared radiation or heat compared with double-silver Low-E glass; and (ii) double-silver Low-E glass: Low-E glass with two silver layers, which can increase the transmittance of sunlight and reduce energy consumption more effectively than single-silver Low-E glass	Mainly used in real estate development and construction, in particular energy-saving buildings and green buildings
Solar control glass	Glass with a coating that reflects solar energy, which includes both visible light and infra-red radiation, but not far infra-red radiation	Mainly used in real estate development and construction, such as curtain walls
Conductive glass	Glass coated with an electrically conductive coating that allows glass to increase light transmittance and optimize electrical conductivity	Can be processed into a wide range of products, such as solar panel, display screen, optical lenses and screen protector

	Characteristics	Usage
Insulating glass	Glass consisting of two or more glass sheets sealed around the edges with a gas-filled space in between, forming a single unit. It reduces the transfer of sound and heat, such that external noise is dampened and there is less heat gain or loss in warmer or colder temperatures, respectively	Mainly used in properties which require heat retention, air-conditioning, noise abatement and prevention of direct sunlight
Laminated glass	Glass consisting of two or more glass sheets bound together with a PVB interlayer which helps prevent the glass from shattering into jagged shards when broken	Mainly used for architectural applications and where the glass could fall if shattered

The production volume of coated glass in the architectural glass industry in China increased from 235 million m^2 in 2014 to 293 million m^2 in 2018 at a CAGR of 5.7%. With the released mandatory energy-efficient standards for buildings becoming stricter, the demand for coated glass maintains at a moderate rate. The growth of coated glass is expected to continue in the coming years, driven by increased market demand for the development of commercial buildings and high-end residential construction towards energy efficiency and certain degree of privacy. According to the Guidance Opinion and expert opinions of CAIGA and industry players, coated glass production volume and sales volume in the PRC is expected to increase from 293 million m^2 and 249 million m^2 in 2018 to 427 million m^2 and 373 million m^2 in 2023 at a CAGR of 7.8% and 10.6%, respectively. The following chart sets forth the production volume and sales volume of China's coated glass from 2014 to 2018 and forecast from 2019 to 2023.

China's coated glass production volume and sales volume, 2014-2023E



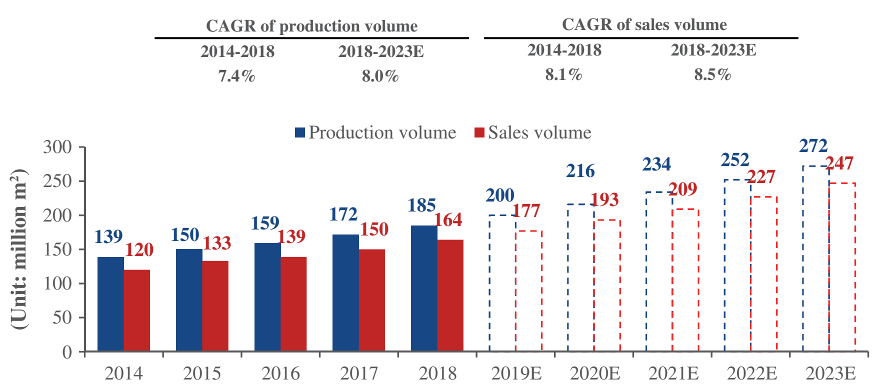
Data source: CAIGA, organized by HCR

Note: The sales volume was derived by deducting the volume of coated glass exported to overseas from the production volume of coated glass in China and adding the volume of coated glass imported to China. As there is a smaller amount of imported coated glass than that of exported coated glass, the sales volume of coated glass in China is lower than the production volume.

Low-E glass accounted for the largest market share of 63% in 2018 by production volume in the coated glass market. China's Low-E glass production volume increased from 139 million m^2 in 2014 to 185 million m^2 in 2018 at a CAGR of 7.4%. The production volume of Low-E glass is expected to increase continuously and rapidly, driven by the rising market recognition and wider application of Low-E glass in public buildings and commercial buildings. Low-E glass production volume is expected to increase from 185 million m^2 in 2018 to 272 million m^2 in 2023 at a CAGR of 8.0%, which is in line with opinions of experts from CAIGA. The sales volume of Low-E glass in the architectural glass industry increased from 120 million m^2 in 2014 to 164 million m^2 in 2018 at a CAGR of 8.1%. It is expected to increase from 164 million m^2 in 2018 to 247 million m^2 in 2023 at a CAGR of 8.5%.

The following chart sets forth the production and sales volumes of China's Low-E glass from 2014 to 2018 and forecast from 2019 to 2023.

China's Low-E glass production and sales volumes, 2014-2023E

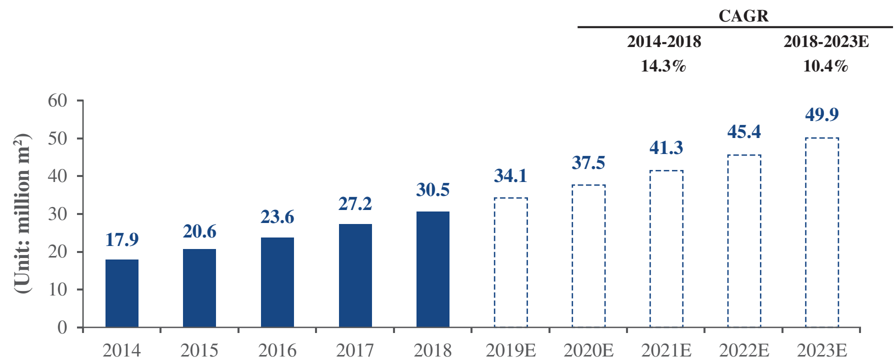


Data source: CAIGA, organized by HCR

Note: The sales volume was derived by deducting the volume of Low-E glass exported to overseas from the production volume of Low-E glass in China and adding the volume of Low-E glass imported to China. As there is a smaller amount of imported Low-E glass than that of exported Low-E glass, the sales volume of Low-E glass in China is lower than the production volume.

The production volume of China's double-silver Low-E glass increased from 17.9 million m^2 in 2014 to 30.5 million m^2 in 2018 at a CAGR of 14.3%. The production volume of double-silver Low-E glass is expected to increase from 30.5 million m^2 in 2018 to 49.9 million m^2 in 2023 at a CAGR of 10.4%. The following chart sets forth the production volume of China's double-silver Low-E glass from 2014 to 2018 and forecast from 2019 to 2023. The production volume of double-silver Low-E glass can be considered to be the sales volume of double-silver Low-E glass in the architectural glass industry in China because most of the double-silver Low-E glass manufacturers adopt "make to order" production approach where products are not made until a confirmed order is received. As such, it is expected that there will also be an upward trend in the sales volume of double-silver Low-E glass in China at a similar scale as the production volume of double-silver Low-E glass.

China's double-silver Low-E glass production volume/sales volume 2014-2023E



Data source: CAIGA, GAC, organized by HCR

Key market drivers of both coated glass and Low-E glass, including double-silver Low-E glass, are:

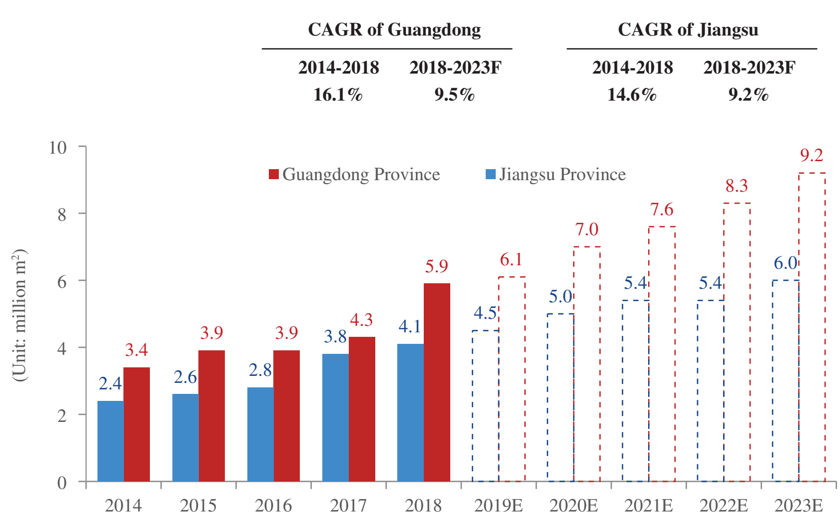
- In April 2019, the National Development and Reform Commission issued the "Guidance Catalogue for Industrial Structure Adjustment (2019, Draft for Soliciting Opinions)," which clearly pointed out that in the construction industry, energy-saving buildings, green buildings and fabricated building technology were encouraged. Coated glass and Low-E glass, as the most important building materials for energy-efficient buildings and green buildings, will have a large room for growth in the construction market in the future.

- The construction and renovation of energy-saving buildings will promote the development of coated glass and Low-E glass market. In 2018, China's urban and rural construction area was about 60 billion m^2, of which more than 90% were energy-consuming buildings. Reducing the energy consumption of new buildings and existing buildings is an important part of the current energy conservation policy. At present, several finance bureaus at local provincial level have implemented special budgetary funds for energy conservation, and other green building economic incentive policies such as loan interest rate concessions and floor area ratio awards have been introduced. Coated glass, especially Low-E glass, is an important building material for energy-saving buildings and has a future space for market growth.

- The popularization of coated glass and Low-E glass in the national market will promote its development. China has a vast territory and each region has different climate characteristics and economic development status. With the promotion and implementation of energy-saving building policies and users' recognition of its energy-saving effect, the Northwest, Southwest, and Northeast regions with lower penetration rates of coated glass and Low-E glass compared to that of East and South regions, due to the weaker economic development and environmental protection policy and lower budget for construction of buildings, will launch local green building action plans. In the future, the penetration rates of coated glass and Low-E glass will gradually increase in such areas.

In particular, there is an upward trend in the sales volume of double-silver Low-E glass in Guangdong and Jiangsu Province as there has been an increase in the application area of double-silver Low-E glass in these two provinces due to the need to meet the mandatory energy-efficient standards imposed by the PRC Government for public buildings in recent years, such as Design Standard for Energy Conservation of Public Buildings (GB 50189-2015) (《公共建築節能設計標準》(GB 50189-2015)). With construction area of public buildings growing stably, the demand for double-silver Low-E glass in Guangdong and Jiangsu Province will increase. The sales volume of double-silver Low-E glass in Guangdong and Jiangsu Province is expected to increase from 4.1 million m^2 and 5.9 million m^2 in 2018 to 6.0 million m^2 and 9.2 million m^2 in 2023 at a CAGR of 9.5% and 9.2%, respectively. As we have cost advantage in producing double-silver Low-E glass and the majority of our customers are located in Guangdong and Jiangsu Province, we are able to benefit from such upward trend in the demand for double-silver Low-E glass. For example, six customers had expressed their intention of purchasing double-silver Low-E glass from us as of August 2019. For details, please see "— Competitive Landscape and Advantages."

Sales volume of double-silver Low-E glass in Guangdong and Jiangsu Province 2014-2023E



Data source: Department of Housing and Urban-rural Development of Guangdong and Jiangsu Province, analyzed by HCR

Note: The sales volume of double-silver Low-E glass was estimated by the area of energy-efficient public buildings released by Department of Housing and Urban-rural Development of Guangdong and Jiangsu Province.

Compared with ordinary glass, the coated glass reduces solar radiation by reducing light transmittance. For example, a common glass with a heat transfer coefficient of 6 mm is 5.8 (W/m^2 °C), a watt per m^2 per degree Celsius, a metric unit of heat transfer coefficient, and a light transmittance of 90%, while the heat transfer coefficient of the coated glass of the same thickness can be 4.0 (W/m^2 °C) and the light transmittance can reach 50% or less. Compared with the ordinary glass and other coated glass, Low-E glass has a lower emissivity, which should be less than 0.15%, providing the room with thermal insulation, and therefore 85% of the heat will remain indoors within the room, thereby improving the insulation function of doors and windows. Double-silver Low-E glass has better energy-saving performance and economic benefits. For example, under the same light transmission conditions, double-silver glass Low-E glass could reduce 60% of the thermal energy of infrared rays in sunlight compared with single-silver Low-E glass. The energy consumption of air-conditioning in summer with the use of double-silver Low-E glass is 73% of that of single-silver Low-E glass, which can save 27% of energy consumption. The price of double-silver Low-E glass, however, is only 15% to 30% higher than that of single-silver Low-E glass, which means that the cost of replacing single-silver Low-E glass with double-silver Low-E glass can be covered by the cost of energy saving. Double-silver Low-E glass can provide better living experience by offering higher sunshine transmittance under the same shading conditions. Under the same energy-saving standard, the transmittance of double-silver Low-E glass can be 15% to 30% higher than that of single-silver Low-E glass, which enables users to experience better indoor temperature and environment at the same time.

Industry Entry Barriers

The technical entry barrier of coating technology is extremely high, which requires significant investment in research and development. Meanwhile, certain equipment requires a high level of operational reliability and stability, and as a result, most of coating production lines are imported from overseas. Due to the dependence on the import of certain equipment, substantial capital investment is needed.

Coating equipment requires regular inspection and process control to maintain its ordinary use. It is generally difficult to recruit and retain experienced technical personnel who are capable of independent inspection and process control of coating equipment because the availability of suitable and qualified candidates is limited. Access to these experienced technical personnel can be challenges to new entrants.

Competitive Landscape and Advantages

The top four companies accounted for 18.3% by production volume in 2018 in China's coated glass market. Our market share accounted for 0.8% by production volume in 2018 in China's coated glass market. The following chart sets forth a ranking of enterprises in coated glass market in 2018 by production volume in China.

Ranking of enterprises of coated glass in 2018 by production volume in China

Ranking	Company name	Background	Production volume (thousands of m^2)	Market share
1	Competitor A	A company listed on the Shenzhen Stock Exchange mainly focusing on the manufacture and sale of energy-saving glass.	17,500	6.0%
2	Competitor B	A company listed on the Main Board mainly focusing on the manufacturer and sale of float glass, automobile glass and energy-saving glass.	14,000	4.8%
3	Competitor C	A company listed on the Shanghai Stock Exchange mainly focusing on the manufacture and sale of float glass and architectural glass.	12,000	4.1%
4	Competitor D	Taiwan-based company listed on the Taiwan Stock Exchange mainly focusing on the manufacture and sale of float glass, photovoltaic glass and fiber glass.	10,000	3.4%

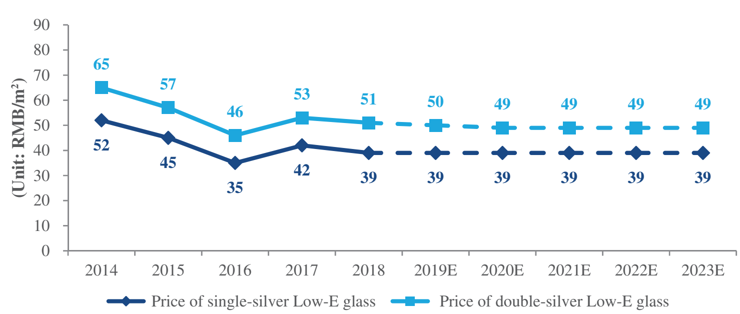
Our Group concentrates on the field of Low-E glass with rich experience in further-processed products and complete industrial chain to produce and process Low-E glass. We have cost advantages over enterprises in terms of further processing and management of product quality. We have patents of double-silver Low-E glass, which will provide more choices to our customers than other enterprises which could only provide basic Low-E glass, such as dark blue, gray and blue Low-E glass. We have obtained a series of patents in Low-E glass field and developed new technologies, such as high-light-transmittance golden quasi-double-silver Low-E glass (高透光率金色類雙銀Low-E玻璃), which allows us to improve production efficiency, thereby enabling us to reduce our production costs and offer more competitive prices.

Price Trend

During the Track Record Period, single-silver Low-E glass was our primary Low-E glass product. The market price of single-silver Low-E glass decreased significantly from approximately RMB52 per m^2 in 2014 to RMB35 per m^2 in 2016, and it was due to advanced technology to improve production efficiency by increasing production volume. In 2017, caused by China's strict environmental protection policies, a number of small-sized coated glass manufacturers were closed. The reduced number of manufacturers has resulted in decreasing supply of building materials and rising price of single-silver Low-E glass. In the architectural glass industry, the price of single-silver Low-E glass increased from approximately RMB35 per m^2 in 2016 to RMB42 per m^2 in 2017. The price trend of double-silver Low-E glass was in line with the single-silver Low-E glass. In general, thinner coated glass has a lower average selling price (except for 3 mm and 4 mm glass). In light of the stable price of raw materials and better performance to improve energy efficiency and emissions reduction, the price of double-silver Low-E glass will remain relatively stable from 2018 to 2023. The following chart sets forth the price trend of China's single-silver and double-silver Low-E glass from 2014 to 2018 and forecast from 2019 to 2023.

Price of China's single-silver and double-silver Low-E glass, 2014-2023E

Single-silver Low-E glass' CAGR		Double-silver Low-E glass' CAGR	
2014-2018	2018-2023E	2014-2018	2018-2023E
-6.9%	0%	-5.9%	-0.8%



Data source: Glass.com.cn, organized by HCR

Note: The prices are the average prices of coated glass of different types and thickness, mainly with 5 mm and 6 mm thickness (without further processing). The abovementioned price refers to the factory price, including tax and excluding freight. Glass manufacturers may increase the price of Low-E glass if extra work such as cutting is needed in coating process. Single-silver Low-E glass includes both online and offline types.

Future Opportunities and Threats

The opportunity for coated glass is that Low-E glass and thin film photovoltaic glass are expected to become market mainstream and future development tendency because they can achieve energy-efficient purpose and protect the environment.

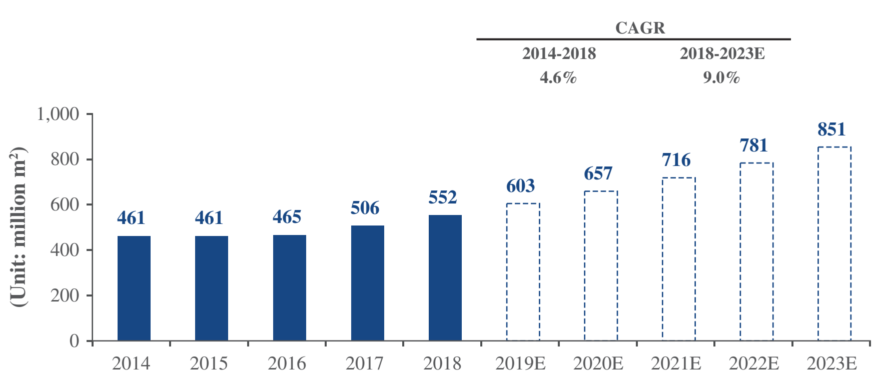
The threats to the development of coated glass in China include: (i) a lack of innovation as the production equipment and technology heavily relied on import from overseas; (ii) lack of advanced equipment and technology causing low production efficiency; (iii) small scale of production of Low-E glass which is mainly caused by limited deep-processing technology of downstream manufacturers; and (iv) relatively high price of Low-E glass which prevents its widespread use.

THE INSULATING GLASS MARKET IN CHINA

Overview

The PRC Government has attached great importance to energy conservation since 2004. The production volume of insulating glass in the architectural glass industry in China increased from 461 million m^2 in 2014 to 552 million m^2 in 2018 at a CAGR of 4.6%, driven by favorable PRC Government policies such as Medium and Long-Term Development Plan for Energy Conservation (《節能中長期專項規劃》). Being a product with good energy-efficient effect, high performance-to-price ratio and wide application, insulating glass is expected to have significant growth in the coming years. Along with favorable PRC Government policies such as the 13th Five-Year Plan for Building Energy Conservation and Green Building Development* (《建築節能與綠色建築發展"十三五"規劃》), the demand for insulating glass production is expected to increase at a CAGR of 9.0% from 552 million m^2 in 2018 to 851 million m^2 in 2023. The production volume of insulating glass can be considered to be the sales volume of insulating glass in China because of the "make to order" production approach adopted by most of the insulating glass manufacturers where products are not made until a confirmed order is received. As such, it is expected that there will also be an upward trend in the sales volume of insulating glass in China at a similar scale as the production volume of insulating glass. The following chart sets forth the production volume or sales volume of China's insulating glass from 2014 to 2018 and forecast from 2019 to 2023.

China's insulating glass production volume/sales volume, 2014-2023E



Data source: CAIGA, organized by HCR

In 2018, double blank insulating glass had the highest production, accounting for approximately 52.0% of a market share by production volume in the insulating glass market. The second highest is insulating Low-E glass accounting for approximately 30.0% of a market share by production volume in the insulating glass market. It is expected that the demand for Low-E glass will continue to grow as the increasing usage of energy-efficient glass products in constructing new buildings and renovating existing buildings.

Industry Entry Barriers

Operators that engage in production of insulating glass are essential to obtain relevant professional skills. For example, the technical ability of operators directly affects the coating quality of butyl rubber, which is one of the main raw materials of insulating glass.

The production of insulating glass requires cutting equipment, edge grinding equipment, cleaning dryer, upper frame, laminating, laminate press, manual or automatic sealing machine, and butyl rubber coating machine. A coating production line is required for the production of double-silver Low-E insulating glass. Investment in a production line with domestic coating equipment requires approximately RMB30 million to RMB50 million. Investment in a production line with imported coating equipment requires approximately RMB50 million to RMB100 million. As a result, larger companies with sufficient funds would have higher production capacity of double-silver Low-E insulating glass and are able to meet certain technology and financial capital threshold.

Competitive Landscape and Advantage

China's insulating glass market is highly fragmented and decentralized. The production volume of the top four companies only accounted for approximately 2.9% in 2018. Our market share accounted for approximately 0.1% by production volume in 2018 in China's insulating glass market. The following chart sets forth a ranking of insulating glass by production volume in China in 2018.

Ranking of companies of insulating glass in 2018 by production volume in China

Ranking	Company name	Background	Production volume (thousands of m^2)	Market share
1	Competitor C	A PRC-based company listed on the Shanghai Stock Exchange mainly focusing on the manufacture and sale of float glass and architectural glass	5,600	1.0%
2	Competitor A	A PRC-based company listed on the Shenzhen Stock Exchange mainly focusing on the manufacture and sale of energy-saving glass	5,000	0.9%
3	Competitor B	A PRC-based company listed on the Main Board mainly focusing on the manufacture and sale of float glass, automobile glass and energy-saving glass	3,730	0.7%
4	Competitor D	A Taiwan-based company listed on the Taiwan Stock Exchange mainly focusing on the manufacture and sale of float glass, photovoltaic glass and fiber glass	1,500	0.3%

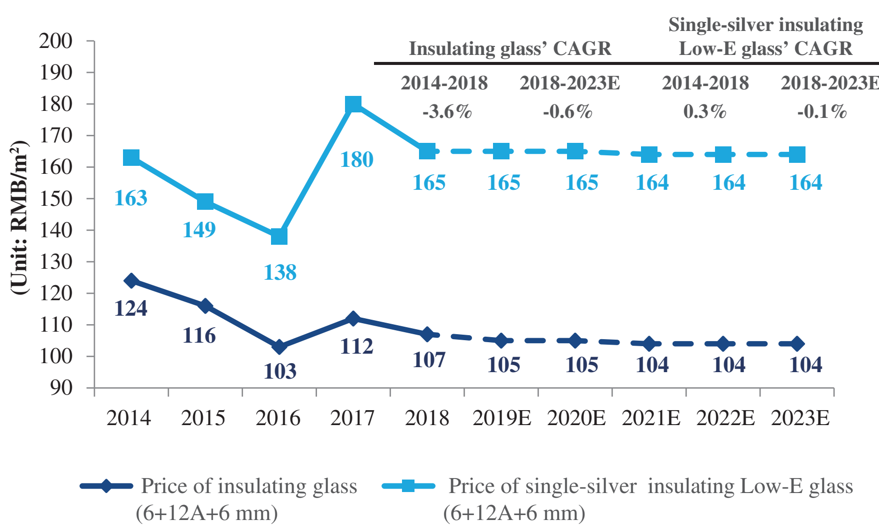
Data source: HCR

The cost of raw materials is a key cost component in insulating Low-E glass production. Low-E glass and solar control glass, the two primary raw materials of insulating Low-E glass, are manufactured by ourselves, which allows us to better control quality and costs. Therefore, we are able to offer a more competitive price compared with our competitors in the same industry.

Price Trend

The market price of insulating glass decreased significantly from 2011 to 2016 due to the decrease in raw material costs and technological advances. In 2018, the average price of 6+12A+6 mm insulating glass was RMB107 per m^2 in China. The price change of insulating glass was mainly affected by favorable PRC Government policies and the fluctuation of the price of raw materials in the market. In general, Low-E insulating glass has a higher average selling price than non-Low-E insulating glass. For each type of insulating glass, the thinner it is, the lower its selling price is (except for 3 mm and 4 mm glass). In light of the stable price of raw materials and the supply and demand balance, the average price of insulating glass will remain relatively stable between RMB105 per m^2 and RMB104 million per m^2 from 2019 to 2023. The following chart sets forth the price trend of China's insulating glass from 2014 to 2018 and forecast from 2019 to 2023.

Price of China's insulating glass and China's single-silver insulating Low-E glass, 2014-2023E



Data source: Glass.com.cn, organized by HCR

Note: The prices are the average prices of the insulating glass and single-silver insulating Low-E glass 6+12A+6 mm products. The abovementioned price refers to the factory price, including tax and excluding freight. In general, the prices for double-silver glass are RMB15 more than the price of single-silver insulating Low-E glass in the chart above.

Future Opportunities and Threats

The biggest opportunity for the insulating glass industry is the growth of domestic market demand. As an energy-efficient material, insulating glass not only conserves heat energy with its excellent heat insulation, but also has the advantages of design and safety. In addition, with the increasingly stringent energy-efficient requirements, current insulating glass will no longer meet the requirements. The new energy-efficient glass with high performance is the focus of future development. The threats to insulating glass mainly include that most of insulating glass manufacturers in the PRC do not have sufficient investment in research and development, cultivating professional personnel, and building collaborative relationships, resulting in outdated production processes and products, as well as few core technologies with independent intellectual property rights.

THE SMART GLASS MARKET IN CHINA

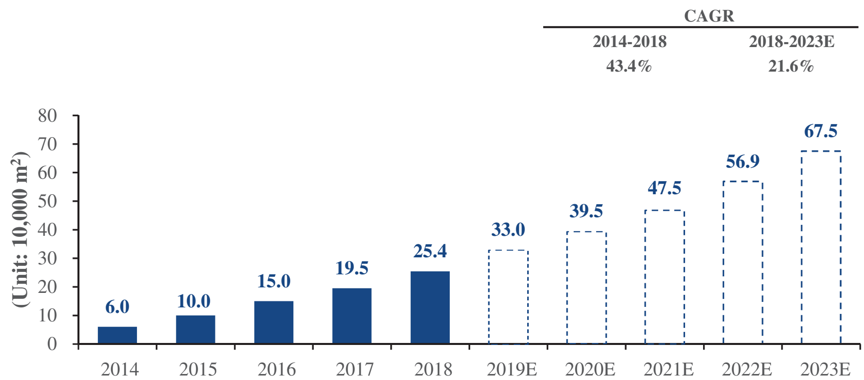
Overview

The smart glass market can be mainly divided into the following categories according to its characteristics: the dimming glass market, the electrochromic glass market, the photochromic glass market, and the thermochromic glass market. During the Track Record Period, our smart glass product was dimming glass.

China's Dimming Glass Market

The production volume of dimming glass in the architectural glass industry in China increased from 60,000 m^2 in 2014 to 254,000 m^2 in 2018 at a CAGR of 43.4%. It is expected that dimming glass production volume will maintain a CAGR of 21.6% from 254,000 m^2 in 2018 to 675,000 m^2 in 2023, driven by the strong demand for dimming glass in new buildings due to its multi-functionality. As compared to normal glass, one can control the transparency of dimming glass which provides privacy protection. It also has all the advantages of safety glass, including the prevention of glass shattering into jagged shards when broken, fracture resistance, sound insulation, heat insulation and UV protection. The following chart sets forth the production volume of China's dimming glass from 2014 to 2018 and forecast from 2019 to 2023. The production volume of dimming glass can be considered to be the sales volume of dimming glass in the architectural glass industry in China because most of dimming glass manufacturers adopt "make to order" production approach where products are not made until a confirmed order is received. As such, it is expected that there will also be an upward trend in the sales volume of dimming glass in China at a similar scale as the production volume of dimming glass.

China's dimming glass production volume/sales volume, 2014-2023E



Data source: HCR

Industry Entry Barriers

The industry had formed a relatively complete intellectual property right system which prevents new entrants with limited industry experience and professional technology from competing in the industry. It is generally difficult for new entrants to bypass the existing intellectual property right protection.

The research and production of PDLC film and dimming glass require a large clean plant site which requires sufficient capital and manpower resources. There is no unified standard of equipment supply and purchase in the industry. Professional personnel, including: (i) research personnel who are required to have the ability to develop new products and dedicated production lines; and (ii) professional personnel who are required to control the process of production lines, are crucial to meet the requirements of technical capability and increased product quality requirements. However, access to capital, professional personnel and the establishment of specialized team become challenges to new entrants.

Competitive Landscape and Advantage

China's dimming glass market is relatively concentrated where companies with great scale and long history have the ability to produce PDLC film. Our Group's market share accounted for approximately 6.7% by production volume in 2018 which ranked the third in China's dimming glass market. The following chart sets forth the ranking of dimming glass in 2018 by production volume in China. In recent years, our Group's spending on research and development was mainly for dimming glass and electrochromic glass, which provided us with technological advantage in the industry. Our Group has obtained a series of patents in dimming glass field and greatly increased the sales of dimming glass since 2018.

Ranking of companies of dimming glass in 2018 by production volume in China

Ranking	Company name	Background	Production volume (thousands of m^2)	Market share
1	Competitor E	A private PRC-based company mainly focusing on the manufacture and sale of dimming glass	37	14.6%
2	Competitor F	A private PRC-based company mainly focusing on the manufacture and sale of dimming glass	25	9.8%
3	Our Group		17	6.7%
4	Competitor G	A PRC-based company listed on the Main Board mainly focusing on the manufacture and sale of smart glass and smart film	13	5.1%
5	Competitor H	A private PRC-based company mainly focusing on the manufacture and sale of architectural materials	9	5.5%

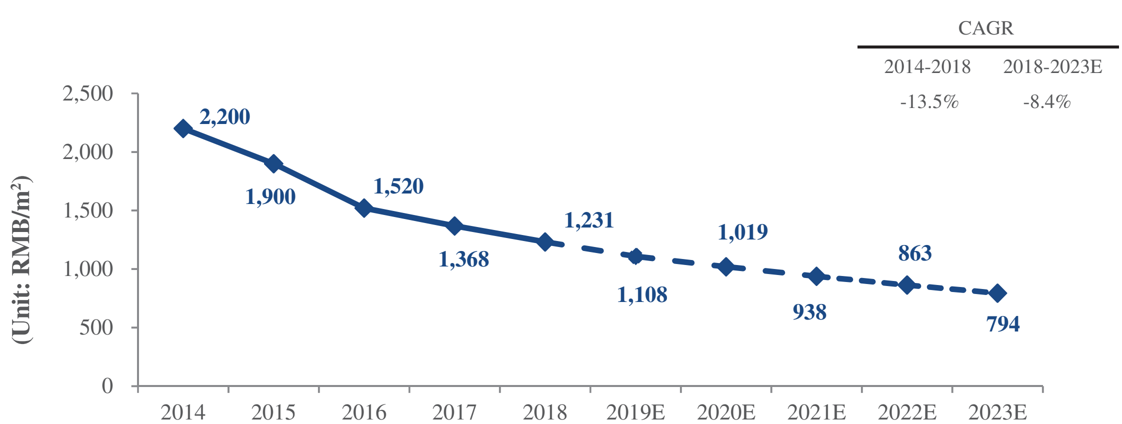
Data source: HCR

Price Trend

The price of dimming glass shows a downward trend. In general, thinner dimming glass has a lower average selling price (except for 3 mm and 4 mm glass). According to the price of dimming glass published by China Glass Network and various visits of HCR to the industry insiders, the average price of dimming glass in 2014 was RMB2,200 per m^2 in China. In 2018, the average price decreased to RMB1,231 per m^2 in China, which was 44.0% lower than that in 2014.

From 2020 to 2023, with the market becoming increasingly competitive, price competition may no longer be the main means of competition among manufacturers. The price will continue to decrease at a CAGR of 8.4% due to more competitors with more production in the future. It is estimated that by 2023, the average price will reach RMB794 per m^2. The following chart sets forth the price trend of China's dimming glass from 2014 to 2018 and forecast from 2019 to 2023.

Price of dimming glass, 2014-2023E



Data source: Glass.com.cn, organized by HCR

Note: The prices are the average prices of dimming glass of different types (mainly interior construction) and thickness, mainly with 5 mm and 6 mm thickness. The abovementioned price refers to the factory price, including tax and excluding freight.

In general, dimming glass used in optical, outdoor advertising and electronic industries has a higher average market price than that used in interior construction industry. For example, in 2018, the average price of dimming glass used in optical, outdoor advertising and electronic industries was between RMB1,700 per m^2 and RMB2,600 per m^2. This is because: (i) the irregular shapes and sizes used in optical, outdoor advertising and electronic industries increased the difficulty of production and the consumption of raw materials which increased the production costs and their selling prices; (ii) additional technical staffs are required for the assembly and adjustment of the products; and (iii) some customers in optical, outdoor advertising and electronic industries have specific requirements regarding thickness and other qualities of dimming glass.

Future Opportunities and Threats

In the future, the opportunities for the dimming glass industry are: (i) the wide application of PDLC film and smart glass products, which will give rise to new business opportunities and production models, such as large scale production by manufacturers, customized processing by distributors, and self-designed application by end-users, to expand the market; (ii) diversified products with various colors which will expand the function of dimming glass; (iii) the development of the technology which will improve the product performance; and (iv) extensive use of the dimming glass that will diversify the distribution channels. The threats to dimming glass mainly include that: (i) the dimming glass market is likely to be adversely affected by the governmental regulation and control in domestic real estate market; and (ii) producing a large amount of low quality PDLC film and dimming glass at a low price by some manufacturers caused by insufficient supervision mechanism and incomplete industry standard will potentially reduce the market of good quality products with high price and adversely affect the development of the market.

THE PRICE TREND OF RAW MATERIALS

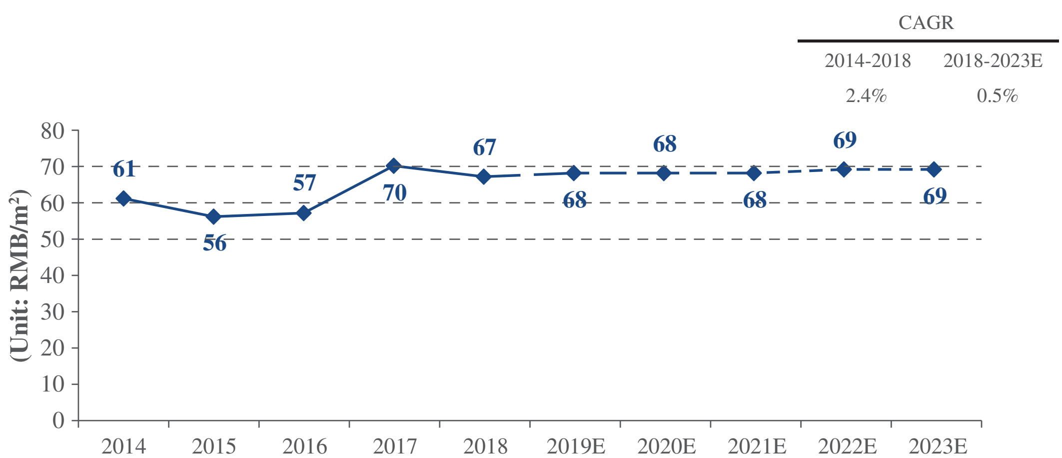
Raw materials of coated glass, including single-silver Low-E glass, double-sliver and insulating glass, are float glass. The price shows seasonal fluctuation, which is generally lower from January to March, and rises due to the increasing downstream demand after August every year.

Float glass manufacturers can be divided into Tier 1 and Tier 2, which offer different prices. In 2018, the price of Tier 1 manufacturers ranged from approximately RMB70 to RMB83 per weight case, and the average price of Tier 1 was approximately RMB76 per weight case. The price of Tier 2 manufacturer was less than approximately RMB70 per weight case, and average price of Tier 2 was approximately RMB65 per weight case. In addition, due to stable business relationship, large purchase volume and low season, float glass enterprises can provide a preferential discount to downstream customers.

Due to the increasing production volume and the maturity of technology, the price of float glass began to fall from 2011, and reached its lowest point in 2015. In 2017, a number of small and medium-sized float glass manufacturers have closed down or adopted environmental technology reform due to China's strict environmental protection policies promulgated, which caused a shortage in supply of float glass. The prices of various manufacturers therefore rose quickly in the second half of 2017. The production and sales in 2018 were gradually balanced and the price in 2018 was slightly lower than the price in 2017.

The price of float glass in first half year of 2019 was lower than that of 2018, in particular, the price of float glass in first half year of 2019 was approximately 6% lower than that of the same period in 2018, but the average price of the entire 2019 is expected to be slightly higher than 2018. The average price of Tier 1 manufacturers could be RMB78 per weight case, and the average price of Tier 2 manufacturers could be RMB65 per weight case, which remains stable compared to 2018. From 2020 to 2023, due to national policy of capacity control, the price of float glass is expected to remain stable with a modest increase.

Price of float glass, 2014-2023E



Note: The abovementioned price refers to factory price, including tax and excluding freight.

Data source: HCR

PRC LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

Catalogue for the Guidance of Foreign Investment Industries

Investment activities in the PRC conducted by foreign investors and foreign-owned enterprises must comply with the Catalogue for the Guidance of Foreign Investment Industries (《外商投資產業指導目錄》) (the "**Catalogue**"). The Catalogue, as amended by the MOFCOM and the NDRC, became effective on 28 July 2017 and contains specific provisions guiding the market access of foreign capital, and stipulates in detail the areas of entry pertaining to the categories of encouraged foreign-invested industries, restricted industries and prohibited foreign-invested industries (the categories of encouraged foreign-invested industries hereinafter referred to as the "**Encouraged List**," the categories of restricted industries and prohibited foreign-invested industries hereinafter referred to as the "**Negative List**"). The Encouraged List was replaced by the Catalogue of Industries for Encouraged Foreign Investment (2019 Edition) (《鼓勵外商投資產業目錄(2019年版)》), which was promulgated by the NDRC and the MOF on 30 June 2019 with effect from 30 July 2019, which substitutes the encouraged foreign investment industries in the Catalogue. The Negative List was replaced by the Special Administrative Measures on Access of Foreign Investment (Negative List) (2018 Edition) (《外商投資准入特別管理措施(負面清單)(2018年版)》) (the "**Special Administrative Measures 2018**"), which was promulgated by the NDRC and the MOFCOM on 28 June 2018 and became effective from 28 July 2018, and then the Special Administrative Measures on Access of Foreign Investment (Negative List) (2019 Edition) (《外商投資准入特別管理措施(負面清單)(2019年版)》) (the "**Special Administrative Measures 2019**") promulgated by the NDRC and the MOFCOM on 30 June 2019 and became effective from 30 July 2019 repealed the Special Administrative Measures 2018. The Special Administrative Measures 2019 contains a list of fields that foreign investment is restricted or forbidden. Any industry not listed in the Encouraged List and Special Administrative Measures 2019 is a permitted industry unless specifically prohibited or restricted by other PRC laws and regulations. Pursuant to the Special Administrative Measures 2019, the development and manufacturing of architectural glass does not fall within the category of exhibited industries.

Law of PRC on Wholly Foreign-Owned Enterprises

The establishment, operation and management of corporate entities in China are governed by the Company Law of the PRC (《中華人民共和國公司法》) (the "**Company Law**"), which was promulgated by the SCNPC on 29 December 1993 to take effect from 1 July 1994. It was latest amended on 26 October 2018 and became effective from the same day. Under the Company Law, companies are generally classified into two categories, namely, limited liability companies and joint stock limited companies. The Company Law also applies to foreign-invested limited liability companies. According to the Company Law, where other PRC laws on foreign investment have other stipulations, such stipulations shall prevail.

The Law of the PRC on Wholly Foreign-Owned Enterprises (《中華人民共和國外資企業法》) (the "**WFOE Law**") was promulgated by the SCNPC with immediate effect from 12 April 1986 and latest amended on 3 September 2016 with effect from 1 October 2016. The WFOE Law will be abolished since 1 January 2020 when the PRC Law on Foreign Investment (《中華人民共和國外商投資法》) (the "**FIL**"), which was promulgated by the SCNPC on 15 March 2019 with effect from 1 January 2020. The Implementing Regulations of the PRC Law on Wholly Foreign-Owned Enterprises (《中華人民共和國外資企業法實施細則》), which was promulgated by the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外貿易經濟合作部) with immediate effect from 12 December 1990 and latest amended by the State Council on 19 February 2014 to take effect from 1 March 2014, and the Provisional Measures on Administration of Filing for Establishment and Change of Foreign Investment Enterprises (《外商投資企業設立及變更備案管理暫行辦法》), which was promulgated by MOFCOM with immediate effect from 8 October 2016 and latest amended on 29 June 2018 with effect from 30 June 2018, set out the PRC Government's fundamental legal principles for supervising wholly foreign-owned enterprises ("**WFOE**"). The above laws and regulations govern the establishment, dissolution and termination of WFOE, including mergers, stock splits and modifications to the registered capital, shareholding structure and corporate form of such entities.

Law of PRC on Sino-Foreign Cooperative Enterprises

The principal legal provisions for Sino-foreign cooperative enterprises include: (i) the Law of PRC on Sino-Foreign Cooperative Enterprises (《中華人民共和國中外合作經營企業法》), which was promulgated with immediate effect by the SCNPC on 13 April 1988 and amended on 31 October 2000, 3 September 2016, 7 November 2016 and latest amended on 4 November 2017 with effect from 5 November 2017; (ii) the Detailed Rules for the Implementation of the Law of the PRC on Sino-Foreign Cooperative Enterprises (《中華人民共和國中外合作經營企業法實施細則》), which was promulgated with immediate effect from 4 September 1995 and latest amended by the State Council on 17 November 2017 to take effect from the same day; and (iii) the Provisional Measures on Administration of Filing for Establishment and Change of Foreign Investment Enterprises (《外商投資企業設立及變更備案管理暫行辦法》), which was promulgated by MOFCOM with immediate effect from 8 October 2016 and latest amended on 29 June 2018 and became effective from 30 June 2018. The above laws and regulations govern the establishment, dissolution and termination of Sino-foreign cooperative enterprises, including mergers, stock splits and modifications to the registered capital, shareholding structure and corporate form of such entities.

The Law of PRC on Sino-Foreign Cooperative Enterprises will be abolished since 1 January 2020 when the FIL becomes effective.

PRC LAWS AND REGULATIONS RELATING TO THE INDUSTRY

According to the Regulations of the PRC on Certification and Accreditation (《中華人民共和國認證認可條例》), promulgated by the State Council on 3 September 2003 to take effect from 1 November 2003 and latest amended with immediate effect from 6 February 2016, the certification and accreditation regulatory department of the State Council must issue unified product catalogues, a unified set of mandatory technical requirements and standards, conformity assessment procedures and unified logos for products subject to compulsory certification.

According to Article 2 of the Regulations Regarding the Management of Compulsory Product Certification (《強制性產品認證管理規定》) promulgated by AQSIQ on 3 December 2001, which was amended on 3 July 2009 to take effect from 1 September 2009, the relevant products as prescribed by the PRC Government must be certified and displayed with certification marks before leaving the factory, sold, imported or used for any operational activities. According to Articles 4 and 10 of the Regulations Regarding the Management of Compulsory Product Certification, the PRC Government must promulgate and update the List of Regulated Products which Require Compulsory Product Certification (《實施強制性產品認證的產品目錄》) (the "**List**"). Before obtaining the Certificate for Compulsory Product Certification (強制性產品認證證書), manufacturers, sellers and importers of products covered by the List must entrust a certification body designated by the Certification and Accreditation Administration of the PRC (中國國家認證認可監督管理委員會) to carry out preliminary certifications relating to product manufacturing, sale and importation.

According to Article 7 of the Regulations on Architectural Safety Glass (《建築安全玻璃管理規定》), which was promulgated by NDRC, Ministry of Construction, AQSIQ and SAIC on 4 December 2003 to take effect from 1 January 2004, manufacturers of safety glass products must obtain the Certificate for Compulsory Product Certification and those safety glass products that have not obtained the Certificate for Compulsory Product Certification may not leave the factory and be sold or used for any operational activities. According to Article 2 of the Regulations on Architectural Safety Glass, the term "safety glass" collectively refers to tempered glass, laminated glass and other glass products which are made of tempered glass and laminated glass. Pursuant to the Implementation Rules for Compulsory Certification of Safety

Glass (《安全玻璃類強制性認證實施規則》) promulgated by the Certification and Accreditation Administration of the PRC and taking effect on 12 July 2006, supervision and inspection shall be conducted at least once a year from the 12th month after obtaining the Certificate for Compulsory Product Certification.

PRC LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

The major environmental regulations applicable include, among other things, the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the PRC Law on the Prevention and Control of Environmental Noise Pollution (《中華人民共和國環境噪聲污染防治法》), the PRC Law on the Prevention and Control of Air Pollution (《中華人民共和國大氣污染防治法》), the PRC Law on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), the PRC Law on the Prevention and Control of Environmental Pollution by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》) and the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》). There are national and local standards applicable to emissions control, discharge of water to the surface and subsurface, and the generation, handling, storage, transportation, treatment and disposal of waste materials.

The Environmental Protection Law of the PRC

The Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) (the "**Environmental Protection Law**"), which was promulgated with immediate effect from 26 December 1989 and latest amended by the SCNPC on 24 April 2014 to take effect from 1 January 2015, established the legal framework for environmental protection in China. Pursuant to the Environmental Protection Law, the competent department of environmental protection under the State Council shall uniformly supervise and manage environmental protection throughout the country. The PRC Government shall encourage and support enterprises, institutions and other producers and operators that reduce the discharge of pollutants in accordance with legal requirements, by allowing them to enjoy favorable tax, price, finance and government procurement benefits under the relevant policies and measures. Furthermore, pollution prevention and control facilities must be designed, built and commissioned together concurrently with the principal part of any construction project. Such pollution prevention and control facilities must meet the requirements specified in the environmental impact assessment and shall not be dismantled or left idle without authorization. The enterprises and institutions and other producers and operators that have a pollution discharge license must discharge pollutants in accordance with the requirements of that license; those that fail to obtain the pollution discharge license may not discharge pollutants. No construction project should be commenced without being subjected to an environmental impact assessment in accordance with the law. Pursuant to Article 25 of Environmental Protection Law of the PRC, for enterprises which discharge pollutants in violation of laws and regulations and have caused or possible to cause serious pollution, the competent authorities are entitled to seal up or detain the discharging equipment of such enterprises. Article 59 further stipulates that non-compliant pollutant-discharging enterprises shall be fined and make rectifications, and failures on rectifications shall trigger consecutive daily fines.

The Environmental Impact Assessment Law of the PRC

Pursuant to the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》), which was promulgated by the SCNPC on 28 October 2002 to take effect from 1 September 2003 and latest amended on 29 December 2018 to take effect from the same day, the PRC Government has set up a system to appraise the environmental impact of construction projects, and to classify and administer appraisals in accordance with the degree of environmental impact. If a construction project may materially impact the environment, an environmental impact report thoroughly appraising possible effects on the environment is required; if the environmental impact of the construction project is slight, an environmental impact report analyzing or appraising the specific effect on the environment is required; finally, if the environmental impact of a construction project is expected to be minor, instead of an environmental impact appraisal one would be required to file an environmental impact form. Construction entities shall prepare environmental impact documents and such environmental impact documents must be approved by the relevant PRC ecology and environment authority before construction begins.

The PRC Law on the Prevention and Control of Environmental Pollution by Solid Wastes

Pursuant to the PRC Law on the Prevention and Control of Environmental Pollution by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》), which was promulgated by the SCNPC on 30 October 1995 to take effect from 1 April 1996 and further amended on 29 December 2004, 29 June 2013 and 7 November 2016, environment impact appraisal shall be conducted for construction projects that discharge solid waste and store, use and dispose of solid waste. Such projects must comply with the relevant environmental protection regulations. The prevention facilities for solid waste shall be designed, constructed and put into operation concurrently with the principal part of any construction project. The construction project can only be put into operation after the environmental protection authority has examined and approved the solid waste pollution prevention facilities. According to Article 53 of the PRC Law on the Prevention and Control of Environmental Pollution by Solid Wastes, entities generating hazardous waste shall formulate a hazardous waste management plan, and declare information on the type, amount, flow, storage and disposal of hazardous waste to the local environmental protection administrative authority. The hazardous waste management plan shall include measures for reducing the amount and mitigating the harmful qualities of hazardous waste and measures on storage, utilization and disposal of hazardous waste. The hazardous waste management plan shall be filed with the local environmental protection administrative authority. The scope of hazardous waste is stipulated in the State Hazardous Waste List (《國家危險廢物名錄 》), which was promulgated on 4 January 1998 with effect from 1 July 1998 and latest amended on 14 June 2016 with effect from 1 August 2016. Pursuant to Article 68 of the PRC Law on the Prevention and Control of Environmental Pollution by Solid Wastes, non-compliant solid waste disposal shall be required to make rectifications within a prescribed time period and fined, and the amount of fine imposed on general solid waste disposal, pursuant to the Trial Implementing Standards of Discretion of Guangdong Environmental Protection Department on Environmental Administrative Penalty (《廣東省環境保護廳環境行政處罰自由裁量權裁量標準(試行)》), shall be not less than RMB10,000 but not more than RMB100,000.

The PRC Law on the Prevention and Control of Air Pollution

Pursuant to the PRC Law on the Prevention and Control of Air Pollution (《中華人民共和國大氣污染防治法》), which was promulgated by the SCNPC on 5 September 1987 with effect from 1 June 1988 and latest amended on 26 October 2018 with effect from the same day, new construction projects, expansion projects or reconstruction projects that discharge atmospheric pollutants shall comply with the relevant regulations on environmental protection. Environmental impact statements of construction projects must include an assessment of the project impact on the ecosystem and be submitted to the ecology and environment authority for approval. The construction project can only be put into operation after the ecology and environment authority has examined and approved the atmospheric pollution prevention facilities.

The PRC Law on the Prevention and Control of Environmental Noise Pollution

Pursuant to the PRC Law on Prevention and Control of Environmental Noise Pollution (《中華人民共和國環境噪聲污染防治法》), which was promulgated by the SCNPC on 29 October 1996 with effect from 1 March 1997, and latest amended on 29 December 2018 with effect from the same day, a construction project which is likely to produce environmental noise pollution shall prepare an environmental impact statement detailing measures to prevent and control such pollution, and submit it to the relevant ecology and environment authority for approval. Before a construction project is put into production or use, its facilities for prevention and control of environmental noise pollution must be inspected according to the standards and procedures stipulated by the state. Pursuant to Articles 50 to 58 of the PRC Law on the Prevention and Control of Environmental Noise Pollution, public security authorities shall fine the non-compliant noise releasing enterprises and the amount as prescribed by the Implementing Measures of Guangdong on Noise Pollution Prevention Law (《廣東省實施《中華人民共和國環境雜訊污染防治法》辦法》) shall be not less than RMB1,000 but not more than RMB10,000.

The PRC Law on the Prevention and Control of Water Pollution

Pursuant to the PRC Law on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), which was promulgated by the SCNPC on 11 May 1984 with effect from 1 November 1984 and latest amended on 27 June 2017 with effect from 1 January 2018, new construction projects, expansion projects or reconstruction projects and other above-water facilities that directly or indirectly discharge pollutants into water must conduct appraisals on environmental impact in accordance with the law. Water pollution prevention facilities must be designed, built and put into operation concurrently with the principal part of any construction project. The construction project can only be put into operation after the environmental protection authority has examined and approved the water pollution prevention facilities. Pursuant to Article 83 of the PRC Law on the Prevention and Control Water Pollution, enterprises which dispose sewage exceeding the prescribed standard shall be required to make rectifications, suspend its production and be imposed a fine no less than RMB100,000 but no more than RMB1,000,000, while under serious circumstances, such enterprises shall terminate the business or be close down.

PRC LAWS AND REGULATIONS RELATING TO MARKET COMPETITION

Pursuant to the Law of the PRC against Unfair Competition (《中華人民共和國反不正當競爭法》), which was promulgated by the SCNPC on 2 September 1993 with effect from 1 December 1993 and latest amended with immediate effect from 23 April 2019, business operators shall firmly adhere to the principles of voluntariness, equity and fairness, maintain honesty and trustworthiness and observe generally accepted commercial ethics in the conduct of trade. A business operator shall not perform any of the following act to cause confusion that may mislead others into thinking its products for another business operator's products or to believe certain relations exist between its products and another business operator's products: (i) unauthorized use of the identical or similar identification of the product names, packaging or decoration, among other things, with a certain degree of influence; (ii) unauthorized use of another business operator's corporate name (including its abbreviation and trade name), the name of a social organization (including its abbreviation), or the name of an individual (including pen name, stage name and translated name), among other things, with a certain degree of influence; (iii) unauthorized use of another business operator's main domain name, website name or webpage with a certain degree of influence; and (iv) other acts to cause confusion enough to mislead others into thinking its products for another business operator's products or to believe certain relation exists between its products and another business operator's products.

PRC LAWS AND REGULATIONS RELATING TO PRODUCT QUALITY AND CONSUMERS PROTECTION

Product Quality Law of the PRC

The principal legal provisions governing product liability are set out in the Product Quality Law of the PRC (《中華人民共和國產品質量法》) (the "**Product Quality Law**"), which was promulgated by the NPC on 22 February 1993 with effect from 1 September 1993 and latest amended with immediate effect from 29 December 2018. The Product Quality Law is applicable to all production and sales activities within China, and producers and sellers shall be liable for product quality in accordance with the Product Quality Law. According to the Product Quality Law, consumers or other victims who suffer personal injury or property losses due to product defects may demand compensation from the producer as well as the seller. Where the responsibility for product defects lies with the producer, the seller shall, after settling compensation, have the right to recover such compensation from the producer, and vice versa. Violations of the Product Quality Law may result in the imposition of fines. In addition, the seller or producer may be ordered to suspend operation and its business license may be revoked. Criminal liability may be incurred in serious cases.

Consumer Protection Law of the PRC

The principal legal provisions for the protection of consumer interests are set out in the Consumer Protection Law of the PRC (《中華人民共和國消費者權益保護法》) (the "**Consumer Protection Law**"), which was promulgated by the SCNPC on 31 October 1993 with effect from 1 January 1994 and latest amended on 25 October 2013 with effect from 15 March 2014. According to the Consumer Protection Law, the rights and interests of consumers who buy or use commodities for the purpose of daily consumption or those who enjoy services are protected and all manufacturers and distributors involved must ensure that the products and services will not cause damage to any person and property. Violations of the Consumer Protection Law may result in the imposition of fines, the suspension of operations or the revocation of business licenses. Criminal liability may be incurred in serious cases.

PRC LAWS RELATING TO LAND

Pursuant to the Land Administration Law of the PRC (《中華人民共和國土地管理法》) issued by the SCNPC on 25 June 1986 and taking effect from 1 January 1987, and latest amended on 28 August 2004 and taking effect on the same day, all units and individuals that are in need of land for construction purpose shall, in accordance with law, apply for the use of state-owned land. Where land for agriculture is to be used for construction purpose, the formalities of examination and approval shall be undertaken for the conversion of land into construction land. If a construction unit needs to use state-owned land for construction of an approved project, it shall apply to the land administration department of the government at or above the county level that has the approval authority by presenting the relevant documents as required by laws and regulations. A construction unit that plans to use state-owned land shall obtain it by means of assignment. A construction unit that obtains land use right of state-owned land shall pay assignment fees for the use of land, in accordance with the rates and measures prescribed by the State Council.

PRC LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY RIGHTS

Trademark Law of the PRC

Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》) (the "**Trademark Law**"), which was promulgated by the SCNPC on 23 August 1982 with effect from 1 March 1983 and was latest amended on 23 April 2019 with effect from 1 November 2019 and the Implementation Regulations for the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) promulgated by the State Council on 3 August 2002 and taking effect from 15 September 2002 and latest amended on 29 April 2014 and taking effect from 1 May 2014, the right to exclusive use of a registered trademark shall be limited to trademarks which have been approved for registration and to goods for which the use of trademark has been approved. The period of validity of a registered trademark shall be ten years, counted from the day the registration is approved. According to the Trademark Law, unauthorized use of a trademark that is identical with or similar to a registered trademark in connection with the same or similar goods constitutes an infringement of the exclusive right to use a registered trademark. The infringer will be required to cease infringement, take remedial action or pay damages in accordance with relevant regulations.

Patent Law of the PRC

Pursuant to the Patent Law of the PRC (《中華人民共和國專利法》) (the "**Patent Law**"), which was promulgated by the SCNPC on 12 March 1984 with effect from 1 April 1985 and latest amended on 27 December 2008 with effect from 1 October 2009 and the Implementation Rules for the Patent Law of the PRC (《中華人民共和國專利法實施細則》) promulgated by the State Council on 15 June 2001 and taking effect from 1 July 2001 and latest amended on 9 January 2010 and taking effect on 1 February 2010, once a patent right is granted for an invention or utility model, except as otherwise provided for in the Patent Law no entity or individual may exploit the patent without authorization by the patent owner. Exploitation includes actions such as making, using, offering to sell, selling or importing the patented product, or using, offering to sell, selling or importing any product which is a direct result of the use of the patented method for production or business purposes. Once a patent right is granted, no entity or individual shall, without the permission of the patent owner, exploit the patent for production or business purposes, such as manufacturing, offering to sell, selling or importing any product containing the patented design. Where infringement of a patent is discovered, the infringer will be required to cease the infringement, take remedial action or pay damages in accordance with the Patent Law.

Administrative Measures for Internet Domain Names

The MIIT promulgated the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》) on 24 August 2017, which became effective on 1 November 2017. According to the measures, domain name owners are required to register their domain names and the MIIT of the PRC is in charge of the administration of PRC internet domain names. The domain names services follow a "first come, first file" principle. Applicants for registration of domain names shall provide their true, accurate and complete information of such domain names to domain name registration service institutions.

PRC LAWS AND REGULATIONS RELATING TO PRODUCTION SAFETY AND LABOR

Production Safety Law of the PRC

Pursuant to the Production Safety Law of the PRC (《中華人民共和國安全生產法》) (the "**Production Safety Law**"), which was promulgated by the SCNPC on 29 June 2002 with effect from 1 November 2002 and last amended on 31 August 2014 with effect from 1 December 2014, enterprises and institutions must be equipped to provide conditions for safe production. The same is provided in other laws, administrative regulations, national standards and industrial standards relevant to the Production Safety Law. Any entity that is not equipped with such conditions is not allowed to engage in production and business operation activities. Enterprises and institutions shall educate their employees regarding production safety. In addition, enterprises and institutions shall provide personal protective equipment that meet national or industrial standards to employees and supervise and educate them on the safe use of such equipment.

Special Equipment Safety Law of the PRC

Pursuant to the Special Equipment Safety Law of the PRC (《中華人民共和國特種設備安全法》), which was issued by the SCNPC on 29 June 2013 and taking effect from 1 January 2014 and the Regulations on Safety Supervision of Special Equipment (《特種設備安全監察條例》), which was promulgated by the State Council on 11 March 2003 and taking effect from 1 June 2003, and was amended on 24 January 2009 with effect from 1 May 2009, special equipment refers to boilers, pressure vessels (including gas cylinders), pressure pipelines, elevators, lifting machinery, passenger ropeways, large-scale amusement devices, and non-road motor vehicles and other special equipment, which pose a greater threat to personal and property safety. Special equipment users shall, before or within 30 days after putting special equipment to use, register the use with the department responsible for special equipment safety supervision and administration, obtain a use registration certificate. Special equipment safety management personnel, testing personnel and operating personnel shall obtain corresponding qualifications according to the relevant state provisions before engaging in corresponding operation or management.

Law of the PRC on the Prevention and Control of Occupational Diseases

Pursuant to the Law on the Prevention and Control of Occupational Diseases of PRC (《中華人民共和國職業病防治法》), which was promulgated by the SCNPC on 27 October 2001 and taking effect from 1 May 2002, and last amended 29 December 2018 and taking effect on the same day, employers shall create work environment and conditions meeting the national occupational health standards and health requirements and take measures to ensure that employees receive occupational health protection. Where an employer's work site has any occupational disease hazard factors as listed in the catalogue of occupational diseases, the employer shall truthfully declare the hazardous project to the local health administrative department in a timely manner and accept supervision. According to the Provisions on the Supervision and Administration of Occupational Health at Work Sites (《工作場所職業衛生監督管理規定》), which was promulgated by State Administration of Work Safety on 27 April 2012 and taking effect from 1 June 2012, an employer with occupational hazards shall entrust an occupational health technical service institution with the corresponding qualification to conduct testing of factors of occupational hazards at least once each year.

Labor Law of the PRC

Pursuant to the Labor Law of the PRC (《中華人民共和國勞動法》), which was promulgated by the SCNPC on 5 July 1994 with effect from 1 January 1995 and latest amended with effect from 29 December 2018, and the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) which was promulgated on 29 June 2007 with effect from 1 January 2008 and amended on 28 December 2012 with effect from 1 July 2013, enterprises and institutions shall facilitate workplace safety and hygiene, strictly comply with applicable rules and standards on workplace safety and hygiene and educate employees on such rules and standards. Furthermore, employers and employees shall enter into written employment contracts to establish their employment relationship. Employers are required to inform the employees of their duties, working conditions, occupational hazards, remuneration and other matters on which they may be concerned. Employers shall pay remuneration to employees on time and in full in accordance with the commitments set forth in employment contracts and relevant PRC laws and regulations.

Social Insurance and Housing Provident Fund

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), which was promulgated by the SCNPC on 28 October 2010 with effect from 1 July 2011 and latest amended on 29 December 2018 with effect from the same day, and the Regulations on the Administrative Regulations on the Housing Provident Fund (《住房公積金管理條例》) which was promulgated by the State Council on 3 April 1999 and latest amended with immediate effect from 24 March 2019, employers in the PRC shall provide employees with welfare schemes covering basic pension insurance, basic medical insurance, unemployment insurance, maternity insurance, occupational injury insurance and housing provident fund.

PRC LAWS AND REGULATIONS RELATING TO TAXATION

EIT Law of the PRC

Pursuant to the EIT Law, the income tax rate for both domestic and foreign-invested enterprises is 25%. Additionally, tax exemptions, reductions and preferential treatment previously enjoyed by foreign-invested enterprises before 1 January 2008 were abolished unless otherwise specified. Pursuant to the EIT Law, enterprises established outside the PRC whose “actual management organizations” are located in the PRC are considered “PRC resident enterprises” and subject to the uniform 25% EIT rate on their global income. According to the EIT Regulation, “actual management organizations” are defined as organizations implementing substantive and comprehensive management and control over aspects of an enterprise such as production and business operations, staff, accounts and property. The EIT rate on high and new technological enterprises requiring the special support of the PRC Government are reduced to 15%.

The Administrative Measures for Certification of New and High Technology Enterprises

Pursuant to the Administrative Measures for Certification of New and High Technology Enterprises (《高新技術企業認定管理辦法》) (the "**2016 Measures**"), which was promulgated on 14 April 2008 with effect from 1 January 2008 and amended on 29 January 2016 with effect from 1 January 2016, high and new technology enterprises as defined in the 2016 Measures may apply for the tax preferential policy stipulated in the EIT Law, the EIT Regulation, the Law of PRC Concerning the Administration of Tax Collection (《中華人民共和國稅收徵收管理法》) and the Implementation Rules of the Law of the PRC Concerning the Administration of Tax Collection (《中華人民共和國稅收徵收管理法實施細則》). The new and high technology enterprise certification will be valid for three years from the date of issuance of the certificate. Such enterprises shall apply for reexamination three months before the expiration of the qualification; where an enterprise fails to apply for reexamination or fails the reexamination, the certification shall be automatically null and void on the expiration of its validity period.

VAT

Pursuant to the Interim Regulations of the PRC on VAT (《中華人民共和國增值稅暫行條例》) which was promulgated by the State Council on 13 December 1993 with effect from 1 January 1994 and latest amended with effect from 19 November 2017 and its implementation rules, entities or individuals in the PRC who sell or import goods or provide processing, repair and replacement services are required to pay a VAT on the value added during the course of the sale of goods or provision of services. Unless otherwise specified, the applicable VAT rate for the sale or importation of goods and the provision of processing, repair and replacing services is 17%.

According to the Notice of MOF and SAT of Taxation on Adjusting VAT Rates (《財政部、國家稅務總局關於調整增值稅稅率的通知》) issued jointly by MOF and SAT on 4 April 2018 with effect from 1 May 2018, the VAT rates of 17% and 11% applicable to taxpayers engaging in the sale or import of goods shall be adjusted to 16% and 10%, respectively. Pursuant to the Announcement on Policies for Deepening the VAT Reform (《關於深化增值稅改革有關政策的公告》) issued jointly by MOF, SAT and GAC on 20 March 2019 with effect from 1 April 2019, the VAT rates of 16% and 10% applicable to taxpayers engaging in the sale or import of goods shall be adjusted to 13% and 9%, respectively.

Environmental Protection Tax

The Environmental Protection Tax Law of the PRC (《中華人民共和國環境保護稅法》) was promulgated by the SCNPC on 25 December 2016 and taking into effect from 1 January 2018, and was amended and taking effect on 26 October 2018. This law requires enterprises, public institutions and other producers/operators that discharge taxable pollutants directly to the environment within the territorial areas of the PRC and other sea areas under the jurisdiction of the PRC to pay such environment protection tax in accordance with the provisions of this law.

Withholding Income Tax

According to the EIT Law and the EIT Regulation, dividends payable by foreign enterprises in the PRC to foreign investors shall be a 10% withholding tax unless a tax treaty with different withholding tax arrangements has been made between the PRC and the jurisdiction where any of those foreign investors are registered. According to the Arrangement between the Mainland of China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) issued by SAT on 21 August 2006, the withholding tax rate of 5% applies to dividends paid by a PRC company to a Hong Kong resident, provided that such Hong Kong resident directly holds at least 25% of the equity interests of the foreign enterprise in the PRC. The 10% withholding tax rate applies to dividends paid by the foreign enterprise in the PRC to a Hong Kong resident if such Hong Kong resident holds less than 25% of the equity interests of the foreign enterprise in the PRC. According to Announcement on Issuing the Measures for the Administration of Non-Resident Taxpayers' Enjoyment of the Treatment under Tax Agreements (《國家稅務總局公告2015年第60號—關於發佈<非居民納稅人享受稅收協定待遇管理辦法>的公告》) effective on 1 November 2015 and latest amended on 15 June 2018, preferential tax treatments do not automatically apply. If a non-resident enterprise that receives dividends from a PRC resident enterprise wishes to enjoy the preferential tax treatments under the tax agreements, it shall submit relevant report form and materials to the competent tax authority when making the first tax declaration in the relevant tax year or when the withholding agent makes the first withholding declaration in the relevant tax year.

PRC LAWS AND REGULATIONS RELATING TO DIVIDEND DISTRIBUTION

The principal laws and regulations regulating the dividend distribution of dividends by WFOE in the PRC include the Company Law and the WFOE Law. Under the current regulatory regime in the PRC, WFOE in the PRC may pay dividends only out of their accumulated profit, if any, determined in accordance with PRC accounting standards and regulations. A PRC company is required to set aside as general reserves (法定公積金) at least 10% of its after-tax profit, until the cumulative amount of such reserves reaches 50% of its registered capital unless the provisions of laws regarding foreign investment otherwise provided. A PRC company shall not distribute any profits until any losses from prior fiscal years have been offset.

PRC LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

The Administrative Regulations of the PRC on Foreign Exchange

The principal regulation governing foreign currency exchange in the PRC is the Administrative Regulations of the PRC on Foreign Exchange (《中華人民共和國外匯管理條例》) (the "**Foreign Exchange Regulations**"), which was promulgated by the State Council on 29 January 1996 with effect from 1 April 1996 and latest amended with effect from 5 August 2008. Under the Foreign Exchange Regulations, the Renminbi is generally freely convertible for payments of current account items such as trade and service-related foreign exchange transactions and dividend payments, but is not freely convertible for capital account items such as capital transfer, direct investment, investment in securities, derivative products or loans, unless prior approval is obtained from competent authorities for the administration of foreign exchange. Under the Foreign Exchange Regulations and other relevant rules and regulations, foreign-invested enterprises in China may purchase foreign exchange without the approval of SAFE for paying dividends by providing certain evidencing documents such as board resolutions and tax certificates, or for trade and services-related foreign exchange transactions by providing commercial documents evidencing such transactions.

Circular 37 and Circular 13

According to Circular 37, which was promulgated with immediate effect from 4 July 2014 by SAFE, domestic resident natural persons or domestic resident legal persons shall, before contributing domestic and overseas lawful assets or interests to a SPV, apply to the competent local branch of SAFE to undergo the foreign exchange registration procedures for overseas investments. Natural persons who are domestic residents must update such registrations in the event that any basic information has been changed in relation to the registered SPV or if there has been any change to the SPV's capital, such as increases and decreases of capital, share transfers, share swaps, mergers or divisions. According to Circular 37, a SPV is defined as a overseas enterprise established directly or controlled indirectly by PRC residents (including domestic organizations in addition to natural persons) using their legitimately held domestic assets or interests or overseas assets or interests to conduct investment and financing transactions. Round-trip investments are defined as direct investment activities in China undertaken by PRC residents directly or indirectly through SPVs, namely, through establishing foreign investment enterprises or projects in China by way of, among other things, incorporation, mergers and acquisitions and other means of obtaining ownership, control and business management rights.

In addition, according to the procedural guidelines attached to Circular 37, the domestic resident natural person is only required to register a directly established or controlled SPV on the first level of any corporate structure.

Pursuant to the Circular 13 which was promulgated on 13 February 2015 with effect from 1 June 2015, the foreign exchange registration process for establishing and controlling an SPV will be directly reviewed and handled by banks, and SAFE and its branches shall indirectly monitor the foreign exchange registration process in cooperation with banks.

Circular 19 and Circular 16

On 30 March 2015, SAFE promulgated the Circular on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-Invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) ("**Circular 19**"), which took effect from 1 June 2015. According to Circular 19, the foreign exchange capital of foreign-invested enterprises shall be subject to the Discretional Foreign Exchange Settlement. The Discretional Foreign Exchange Settlement refers to foreign exchange capital in the capital account of a foreign-invested enterprise for which the rights and interests have been confirmed by the local foreign exchange bureau or through the book-entry registration of monetary contributions by banks. The monetary contributions can be settled at banks based on the actual operational needs of the foreign-invested enterprise. The proportion of Discretional Foreign Exchange Settlement of the foreign exchange capital of a foreign-invested enterprise is temporarily determined to be 100%. The Renminbi converted from the foreign exchange capital will be kept in a designated account and if a foreign-invested enterprise needs to make further payment from such account, it would be required to provide supporting documents and undergo the review process with banks.

Furthermore, Circular 19 stipulates that the use of capital by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises. The capital of a foreign-invested enterprise and capital in Renminbi obtained by foreign-invested enterprises from foreign exchange settlement shall not be used for the following purposes:

(i) direct or indirect use for the payments beyond the enterprise's business scope or other payments as prohibited by relevant laws and regulations;

(ii) direct or indirect use for investments in securities unless otherwise provided by relevant laws and regulations;

(iii) direct or indirect use for granting loans in Renminbi (unless permitted by the scope of business), repaying inter-enterprise borrowings (including advances by the third party) or repaying bank loans in Renminbi that have been sub-lent to the third party; and

(iv) direct or indirect use for expenses related to the purchase of real estate that is not for self-use (except for the foreign-invested real estate enterprises).

SAFE promulgated with immediate effect the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) ("**Circular 16**") on 9 June 2016 with effect from the same day. Pursuant to Circular 16, enterprises registered in China may convert into Renminbi their foreign debts in foreign currency on self-discretionary basis. Circular 16 provides an integrated standard for the conversion of foreign exchange under capital account items (including but not limited to foreign currency capital and foreign debts) on a self-discretionary basis which applies to all enterprises registered in the PRC. Circular 16 reiterates the principle that Renminbi converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope or prohibited by PRC laws or regulations, and that such converted Renminbi shall not be used to make loans to non-affiliated entities.

PRC MERGER & ACQUISITION REGULATIONS

According to the M&A Rules, a foreign investor is required to obtain necessary approvals when: (i) a foreign investor acquires equity in a domestic non-foreign invested enterprise and converts it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise via an increase of registered capital and converts it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise by agreement, or a foreign investor purchases the assets of a domestic enterprise by agreement and injects those assets to establish a foreign-invested enterprise for operation of such assets. According to Article 11 of the M&A Rules, approval from MOFCOM is required when a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it, acquires a domestic company which is related to or connected with it. Pursuant to Interim Administrative Measures on Registration of Establishment and Changes for Foreign Invested Enterprises (《外商投資企業設立及變更備業管理暫行辦法》) ("**Interim Measures**") which were promulgated by MOFCOM on 8 October 2016 and latest amended on 29 June 2018 and became effective on 30 June 2018, a non-foreign-invested enterprise, who changes into a foreign-invested enterprise by acquisition, merger, or any other means, involving no implementation of special administrative measures stipulated by the state, shall be subject to the Interim Measures and undergo the recordation formalities, instead of approval process, for the change of shareholder.

HISTORY AND DEVELOPMENT

Overview

The Company was incorporated in the Cayman Islands on 25 May 2017 in anticipation of the Listing. As of the Latest Practicable Date, the Company had three subsidiaries, namely Hongguang International, Hongguang Technology and Hongguang Glass. Each of Hongguang International and Hongguang Technology is an investment holding company incorporated in the BVI and Hong Kong, respectively. Hongguang Glass is our principal operating subsidiary established in the PRC which primarily engages in the manufacture and sale of architectural glass products in the PRC.

The history of our Group can be traced back to April 1992 when Hongguang Glass was established in the PRC by: (i) Hongguang Mirror, a company then owned as to 60% and 40% by the late Mr. Wei Ming Liang (the late father of Mr. Wei) and Ms. Liu (the mother of Mr. Wei), respectively; and (ii) Honest Manufacturing Co. (誠信洋行) ("**Honest Manufacturing**"), as a Sino-foreign cooperative joint venture to manufacture and sell coated glass and processed glass products. To the best knowledge of our Directors, Honest Manufacturing is an Independent Third Party. Honest Manufacturing contributed the entire registered capital of Hongguang Glass of HK$4,000,000 by way of cash and held 50% of the equity interest in Hongguang Glass, and Hongguang Mirror provided land, facilities and equipment for the business operations of Hongguang Glass and held the remaining 50% of the equity interest in Hongguang Glass.

In November 2012, Hongguang Mirror and Honest Manufacturing mutually agreed to terminate the Sino-foreign cooperative joint venture of Hongguang Glass. Upon such termination, Hongguang Glass became wholly owned by Honest Manufacturing. At the relevant time, Mr. Wei Ming Liang transferred his 60% equity interest in Hongguang Mirror to his son, Mr. Wei and such that Hongguang Mirror became owned as to 60% and 40% by Mr. Wei and Ms. Liu, respectively. In December 2012, Honest Manufacturing transferred its entire equity interest in Hongguang Glass to Hongguang Mirror and Ms. Lin (the spouse of Mr. Wei) in equal shares for an aggregate consideration of HK$4,000,000 (equivalent to RMB4,291,230 at the relevant time). Hongguang Glass's registered capital was converted from HK$4,000,000 to RMB4,291,230 and was further increased to RMB4,380,000, which was paid up by Ms. Lin and Hongguang Mirror in equal shares. Immediately after completion of the above equity transfers and capital conversion and increase, Hongguang Glass was owned as to 50% by Hongguang Mirror and 50% by Ms. Lin. Hongguang Glass was then converted into a limited liability company in the PRC.

Since then, we have been primarily engaging in the manufacture and sale of architectural glass products, including energy-efficient safety glass products and smart glass product, in Southern China, providing architectural glass products under our own "Hong Guang (宏光)" brand. Details of our business milestones are set out in "Milestones of Our Group" in this section.

In May 2017, we commenced the Reorganization in preparation for the Share Offer and the Listing, as more particularly described in "Reorganization" in this section.

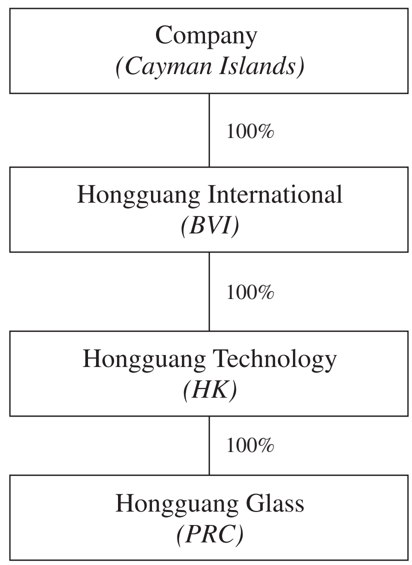
Milestones of Our Group

The following is a summary of our Group's key business development milestones:

Year	Milestones
1992	Our operating subsidiary, Hongguang Glass was established in the PRC
2005	Hongguang Glass was accredited with the ISO9001 certification for the first time
	We commenced commercial production of tempered glasses, our first energy-efficient safety glass product
2008	We established a research and development center at our Xianqiao Plant
	We expanded the scope of our energy-efficient safety glass products by commencing commercial production of insulating glasses and laminated glasses
2014	Our Low-E glass and high-light-transmittance energy-efficient insulating glass were certified as High and New Technology Product of Guangdong* (廣東省高新技術產品) by Guangdong Science and Technology Department* (廣東省科學技術廳)
	Hongguang Glass was certified as a "High and New Technology Enterprise" (高新技術企業) by the Guangdong Science and Technology Department* (廣東省科學技術廳), the Guangdong Finance Department* (廣東省財政廳), the Guangdong Office of SAT* (廣東省國家稅務局) and the Guangdong Local Taxation Bureau* (廣東省地方稅務局)
	We further expanded the scope of our energy-efficient safety glass products by commencing commercial production of coated glasses
2016	We commenced commercial production of smart glass product
2017	Hongguang Glass was once again certified as "High and New Technology Enterprise" (高新技術企業)
	Our dimming glass was certified as High and New Technology Product of Guangdong* (廣東省高新技術產品)

OUR GROUP STRUCTURE AND CORPORATE HISTORY

The following chart sets forth the corporate structure of our Group immediately following completion of the Capitalization Issue and the Share Offer:



The following describes the corporate history of the Company and its subsidiaries.

The Company

The Company was incorporated in the Cayman Islands on 25 May 2017 as an exempted company with limited liability to act as the holding company of our Group in anticipation of the Listing.

As a result of the Reorganization as more particularly described in "Reorganization" in this section, the Company became the holding company of our Group, holding through our immediate holding company, Hongguang International and our intermediate holding company, Hongguang Technology, which in turn holds our operating subsidiary, Hongguang Glass, which primarily engages in the manufacture and sale of architectural glass products in the PRC.

Hongguang International

Hongguang International was incorporated in the BVI on 25 May 2017 as limited liability company with an issued share capital of US$1 comprising one share allotted and issued to the Company at an issue price of US$1 per share.

Hongguang Technology

Hongguang Technology was incorporated in Hong Kong on 12 July 2017 as a limited liability company with an issued share capital of HK$1 comprising one share allotted and issued to Hongguang International at an issue price of HK$1 per share.

Hongguang Glass

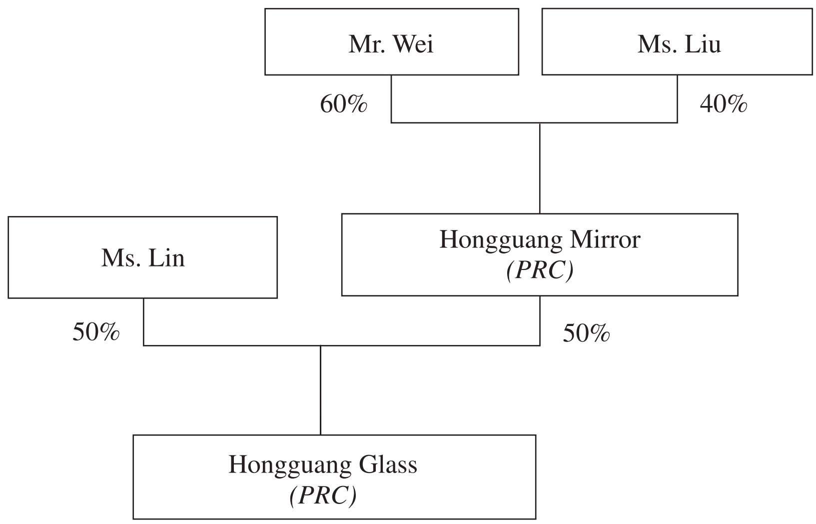
Hongguang Glass was established in the PRC on 10 April 1992 by: (i) Hongguang Mirror, a company then owned by the late Mr. Wei Ming Liang (the late father of Mr. Wei) and Ms. Liu; and (ii) Honest Manufacturing, as a Sino-foreign cooperative joint venture to manufacture and sell coated glass and processed glass products. To the best knowledge of our Directors, Honest Manufacturing is an Independent Third Party. Honest Manufacturing contributed the entire registered capital of Hongguang Glass of HK$4,000,000 by way of cash and Hongguang Mirror provided land, facilities and equipment for the business operations of Hongguang Glass and each held Hongguang Glass in equal shares.

On 8 November 2012, Hongguang Mirror, which was then owned as to 60% and 40% by Mr. Wei and Ms. Liu, respectively, and Honest Manufacturing mutually agreed to terminate the Sino-foreign joint venture. Upon such termination, Hongguang Glass became wholly owned by Honest Manufacturing. On 6 December 2012, Honest Manufacturing transferred its entire equity interest in Hongguang Glass to Hongguang Mirror and Ms. Lin in equal shares for an aggregate consideration of HK$4,000,000 (equivalent to RMB4,291,230 at the relevant time) which was agreed with reference to the prevailing registered capital of Hongguang Glass. The registered capital of Hongguang Glass was converted from HK$4,000,000 to RMB4,291,230 and further increased to RMB4,380,000 by RMB88,770, which was paid up by Ms. Lin and Hongguang Mirror in equal shares. As a result of the above equity transfers and capital conversion and increase, Hongguang Glass became a PRC company with limited liability with a registered capital of RMB4,380,000 and was held as to 50% by Hongguang Mirror and 50% by Ms. Lin.

On 11 July 2018, as part of the Reorganization, the entire equity interest of Hongguang Glass was transferred from each of Ms. Lin and Hongguang Mirror to Hongguang Technology for an aggregate consideration of RMB4,582,070, which was determined with reference to the appraised value of the entire equity interest of Hongguang Glass as of 31 December 2016, and subsequently as of 31 December 2017, assessed by an independent asset valuer. Upon the completion of the above equity transfers, Hongguang Glass became a direct wholly-owned subsidiary of Hongguang Technology. As advised by our PRC Legal Advisers, such equity transfers have been completed in accordance with the applicable PRC laws and regulations and all the relevant governmental registration and recordation formalities have also been completed.

REORGANIZATION

In May 2017, we commenced the Reorganization in preparation for the Listing. The following chart sets forth the shareholding and corporate structure of our Group immediately prior to the Reorganization:



In preparation for the Listing, our Group underwent the Reorganization. The main steps of the Reorganization were as follows:

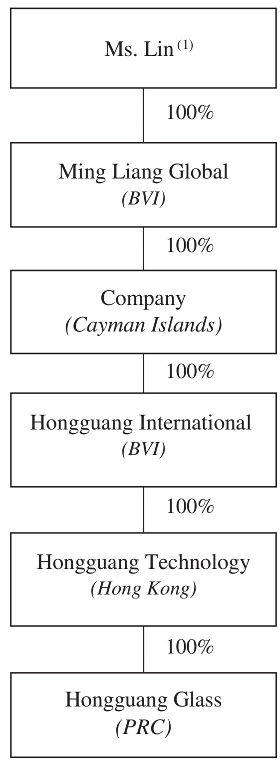
(a) On 25 May 2017, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorized share capital of HK$380,000 divided into 38,000,000 Shares, with one subscriber Share allotted and issued to the initial subscriber, an Independent Third Party, at par. Such subscriber Share was transferred from the initial subscriber to Ming Liang Global at par on the same date.

(b) On 25 May 2017, Hongguang International was incorporated in the BVI as a limited liability company with an issued share capital of US$1 comprising one share allotted and issued to the Company at an issue price of US$1 per share.

(c) On 12 July 2017, Hongguang Technology was incorporated in Hong Kong as a limited liability company with an issued share capital of HK$1 comprising one share allotted and issued to Hongguang International at an issue price of HK$1 per share.

(d) On 11 July 2018, Hongguang Technology acquired the entire equity interest of Hongguang Glass from Ms. Lin and Hongguang Mirror for an aggregate consideration of RMB4,582,070 and Hongguang Glass became a direct wholly-owned subsidiary of Hongguang Technology. On 12 July 2018, Ms. Lin, being the sole registered shareholder of Ming Liang Global, declared by declarations of trust that she has been holding 30% and 20% of beneficial interest in Ming Liang Global on trust for Mr. Wei and Ms. Liu, respectively, with effect from 11 July 2018, the date of completion of the said acquisition. As such, the shareholding interest of Ming Liang Global has been beneficially owned as to 50% by Ms. Lin, 30% by Mr. Wei and 20% by Ms. Liu since the completion of the said acquisition.

The following chart sets forth the shareholding and corporate structure of our Group immediately after the Reorganization but before completion of the Pre-IPO Investments, the Capitalization Issue and the Share Offer:



Note:

(1) By declarations of trust dated 12 July 2018, Ms. Lin has been holding 30% and 20% of beneficial interest in Ming Liang Global on trust for Mr. Wei and Ms. Liu, respectively, with effect from 11 July 2018. As such, the shareholding interest of Ming Liang Global has been beneficially owned as to 50% by Ms. Lin, 30% by Mr. Wei and 20% by Ms. Liu since 11 July 2018.

TRUST ARRANGEMENT

Family Trust was set up on 18 December 2017 as a discretionary trust by Mr. Wei, Ms. Lin and Ms. Liu as the settlors. The trustee of Family Trust is IQ EQ (BVI). The beneficiaries of Family Trust include Mr. Wei, Ms. Lin, Ms. Liu and certain family members of Mr. Wei. Family Trust was set up for the purpose of ongoing management of the main assets of the family and to facilitate the family wealth planning of the settlors.

As part of the establishment of Family Trust, Wei Family Limited was incorporated in the BVI as a limited liability company on 4 July 2018 and is entirely held by IQ EQ (BVI) as the trustee of Family Trust to act as the holding company for the interest of Family Trust in the Company.

On 12 July 2018, Ms. Lin, being the sole registered owner of the entire issued share capital of Ming Liang Global, declared, through declarations of trust, that she has been holding 30% and 20% of beneficial interest in Ming Liang Global on trust for Mr. Wei and Ms. Liu, respectively with effect from 11 July 2018, being the date of completion of the acquisition of the entire equity interest of Hongguang Glass by Hongguang Technology. As such, the shareholding interest of Ming Liang Global has been beneficially owned as to 50% by Ms. Lin, 30% by Mr. Wei and 20% by Ms. Liu since 11 July 2018.

On 16 December 2019, pursuant to a deed of gift, Ms. Lin, Mr. Wei and Ms. Liu transferred the entire legal and beneficial interest in the entire issued share capital of Ming Liang Global to Wei Family Limited by way of gift.

Pursuant to the trust deed of Family Trust, IQ EQ (BVI) as the trustee, through Wei Family Limited, is holding, among other things, the entire issued share capital of Ming Liang Global on trust for the benefit of Mr. Wei, Ms. Lin, Ms. Liu and certain family members of Mr. Wei on a discretionary basis. The powers of the trustee in dealing with the assets in Family Trust include making investments and effecting any transaction relating to the management or disposition of the trust assets. The trustee may also pay or apply all or any of the income of the trust assets to or for the benefit of all or any of the beneficiaries of Family Trust.

The powers to alter the class of beneficiaries and to amend any or all of the trust powers and provisions of the trust deed are only exercisable by the trustee with the prior written consent of the protectors of Family Trust, being Mr. Wei, Ms. Lin and Ms. Liu. Mr. Wei, Ms. Lin and Ms. Liu, being the settlors and the protectors of Family Trust, have the powers under the trust deed to, among other things, appoint new or additional trustees and remove any trustees. In view of the aforesaid, Mr. Wei, Ms. Lin and Ms. Liu could, in their capacity as the settlors and the protectors of Family Trust, indirectly control the trust fund held by IQ EQ (BVI) as the trustee on trust for Family Trust.

PRE-IPO INVESTMENTS

In anticipation of the Pre-IPO Investments, on 11 July 2018 and 12 July 2018, 59 Shares and seven Shares were allotted and issued by the Company to Ming Liang Global at the issue price of HK$0.01 per Share, respectively.

On 13 July 2018, the Company entered into the Pre-IPO Agreement with Orient Success and Power Solution, pursuant to which Orient Success agreed to subscribe for and the Company agreed to allot and issue 22 Shares at a consideration of HK$8,800,000, and Power Solution agreed to subscribe for and the Company agreed to allot and issue 11 Shares at a consideration of HK$4,400,000. The total consideration for the Pre-IPO Investments was fully and irrevocably settled on 17 July 2018 and the Pre-IPO Investments were completed on the same date.

Principal terms of the Pre-IPO Investments

Principal terms of the Pre-IPO Investments are summarized below:

	Orient Success	Power Solution
Date of the Pre-IPO Agreement:	13 July 2018	
Payment date of consideration:	13 July 2018	17 July 2018
Consideration paid:	HK$8,800,000	HK$4,400,000
Subscription Shares:	22	11

Basis of determining the consideration:

Based on arm's length negotiations between the Company and each of the Pre-IPO Investors with reference to:

(a) the investment risks assumed by the Pre-IPO Investors in investing in an unlisted company;

(b) the business prospects, results of operation and financial condition of our Group; and

(c) the percentage of discount to the offer price of recent pre-IPO investments in other companies listed on GEM.

When determining the consideration, the parties also took into account the equity interests of the Company held by each of the respective Pre-IPO Investors after the Pre-IPO Investments multiplied by the average of the unaudited net assets of Hongguang Glass as of 31 December 2016 and the audited net asset value of Hongguang Glass of RMB45,620,000 as of 31 December 2017.

Investment cost per Share after Capitalization Issue and discount to Offer Price(Note):

Approximately HK$0.18, representing approximately 78% discount to the mid-point of the Offer Price range.

Strategic benefits:

Our Directors are of the view that with the introduction of the Pre-IPO Investments, the shareholder base of the Company will be strengthened, and the Company could benefit from the capital that the Pre-IPO Investors have brought in for funding of our general working capital. Our Directors further believe that with the expertise and experience of the Pre-IPO Investors as further described below, the Pre-IPO Investors would be able to provide advice on the financial strategies of our Group and assist our Group in exploring business opportunities through their business connections, which will be beneficial to our Group.

	Orient Success	Power Solution
Shareholding in the Company held by the Pre-IPO Investors immediately following completion of the Capitalization Issue and the Share Offer:	*Assuming the Offer Size Adjustment Option is not exercised:*	
	16.50%	8.25%
	Assuming the Offer Size Adjustment Option is fully exercised:	
	15.90%	7.95%
Lock-up:	The Pre-IPO Investors are subject to a lock-up restriction of 12 months from the Listing Date.	
Special rights:	No special right was granted to the Pre-IPO Investors.	
Use of proceeds:	The proceeds from the Pre-IPO Investments of HK$13.2 million will be used for funding the general working capital of our Group. Our Directors confirmed that, as of the Latest Practicable Date, approximately HK$9.1 million out of such proceeds had been utilized for fulfilling our Group's general capital needs.	
Public float:	Shares held by Orient Success are not considered as part of the public float as Orient Success is our Substantial Shareholder and therefore a connected person of the Company.	Shares held by Power Solution are considered as part of the public float as: (i) it is not a connected person of the Company; (ii) the subscription of its shareholding interest in the Company was not financed directly or indirectly by any connected person of the Company; and (iii) it is not accustomed to take instructions from a connected person in relation to the acquisition, disposal, voting or other disposition of securities of the Company registered in its name or otherwise held by it.

Note: For illustration purposes only. Assuming the mid-point of the indicative Offer Price range of HK$0.77 and HK$0.89, on the basis of the enlarged issued share capital of the Company immediately upon completion of the Share Offer (without taking into account the Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option).

Background of the Pre-IPO Investors and their relationships with the Company

Orient Success is an investment holding company incorporated in the BVI on 26 September 2017. It is wholly owned by Ms. Wang Yaqing, an Independent Third Party prior to the Pre-IPO Investments.

Ms. Wang is the sole director of Orient Success. Ms. Wang obtained a bachelor's degree in industrial design from Jingdezhen Ceramic Institute (景德鎮陶瓷學院) in 2009. Ms. Wang passed the qualification examination of fund practitioner organised by Asset Management Association of China (AMAC基金從業人員資格考試) in 2017. Ms. Wang has extensive experience in investment industry and business network. From May 2010 to May 2017, she assumed various auditing or financial roles and finally being the head of investment management department at an investment management company in the PRC. Ms. Wang was introduced to Mr Wei through social acquaintance in 2017. Our Directors believe that Ms. Wang decided to invest in our Group due to our business prospects. Our Directors further believe that with the expertise and experience of Ms. Wang in the finance and fund industry, she, through the Pre-IPO Investment by Orient Success, would be able to offer advice on the financial strategies of our Group. To the best knowledge and belief of our Directors after due and careful enquiry, the source of funding of Orient Success's investment in our Group was from its internal sources of funds.

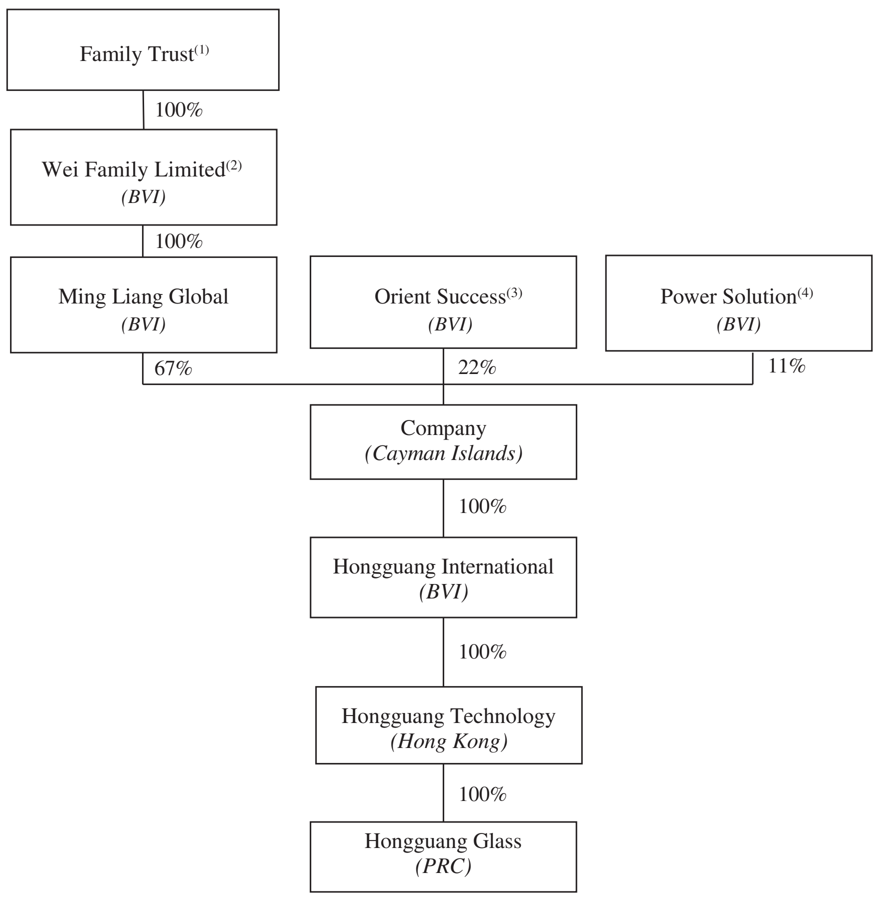
Power Solution is an investment holding company incorporated in the BVI on 12 November 2013. It is owned by Mr. Li Wei, Mr. Li Jiang and Mr. Gu Hai as to 50%, 25% and 25%, respectively. Each of Mr. Li Wei, Mr. Li Jiang and Mr. Gu Hai is an Independent Third Party. Each of Mr. Li Wei, Mr. Li Jiang and Mr. Gu Hai is a director of Power Solution. Mr. Li Wei currently works as the director of asset operations of an investment holding company in the PRC which is principally engaging in investment, reorganization, merger and acquisition of assets, assets management and consulting services. Mr. Li Jiang currently works as a general manger of an investment company in Shanghai which is principally engaging in investment management and business consulting services. Mr. Gu Hai established a building renovation and decoration company in Nanjing, the PRC in 2005 and has accumulated nearly 14 years of experience in the building renovation and decoration industry in the PRC. While Mr. Li Wei, Mr. Li Jiang and Mr. Gu Hai are the directors of Power Solution, Mr. Gu Hai is the main person responsible for the operations of Power Solution. Mr. Gu met Mr. Wei in an exhibition held in 2016. Our Directors believe that he decided to invest in our Group through Power Solution in view of the prospects of the glass processing industry and the growth potential of our Group. Our Directors further believe that with the expertise and experience of Ms. Gu in the building renovation and decoration industry, Mr. Gu Hai, together with Mr. Li Wei and Mr. Li Jiang, through the Pre-IPO Investment by Power Solution, would be able to assist our Group in exploring business opportunities through their business connections, which will be beneficial to our Group. To the best knowledge and belief of our Directors after due and careful enquiry, the source of funding of Power Solution's investment in our Group was from its internal sources of funds.

To the best knowledge, information and belief of our Directors, other than their respective investments in the Company, Power Solution and its ultimate beneficial owners are independent from the Company and its connected persons. Orient Success and Ms. Wang Yaqing are our Substantial Shareholders and therefore are connected persons of the Company upon the Listing.

Sole Sponsor's View

The Sole Sponsor confirmed that the Pre-IPO Investments detailed above are in compliance with: (i) the Interim Guidance on Pre-IPO Investments issued on 13 October 2010 by the Stock Exchange as the consideration for the Pre-IPO Investments was all settled more than 28 clear days before the date of our first submission of the listing application to the Stock Exchange in relation to the Listing; and (ii) the Guidance Letter HKEx-GL43-12 issued in October 2012 and updated in July 2013 and March 2017 by the Stock Exchange and the Guidance Letter HKEx-GL44-12 issued in October 2012 and updated in March 2017 by the Stock Exchange as no special right was granted to each of the Pre-IPO Investors.

The following chart sets forth our shareholding and corporate structure immediately after the Reorganization and the Pre-IPO Investments, but before the completion of the Capitalization Issue and the Share Offer:



Notes:

(1) Family Trust is a discretionary family trust established by Mr. Wei, Ms. Lin and Ms. Liu as the settlors and IQ EQ (BVI) as the trustee. The beneficiaries of Family Trust include Mr. Wei, Ms. Lin, Ms. Liu and certain family members of Mr. Wei.

(2) Wei Family Limited is wholly-owned by IQ EQ (BVI), the trustee of Family Trust.

(3) Orient Success is beneficially owned by Ms. Wang Yaqing, an Independent Third Party prior to the Pre-IPO Investments. Orient Success will be a Substantial Shareholder of the Company upon the Listing.

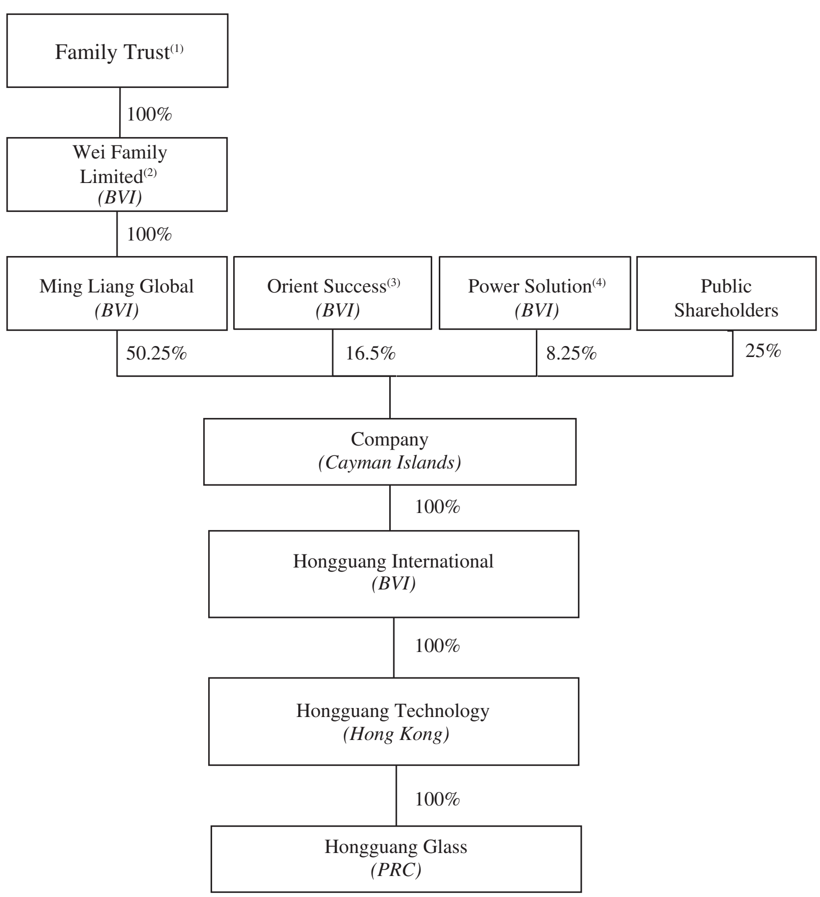
(4) Power Solution is beneficially owned by Mr. Li Wei, Mr. Li Jiang and Mr. Gu Hai as to 50%, 25% and 25%, respectively. Each of Mr. Li Wei, Mr. Li Jiang and Mr. Gu Hai is an Independent Third Party.

CAPITALIZATION ISSUE AND SHARE OFFER

On 11 December 2019, the authorised share capital of the Company was increased from HK$380,000 to HK$10,000,000. Conditional upon the share premium account of the Company being credited as a result of the issuance of new Shares under the Share Offer, a capitalization of HK$2,249,999 standing to the credit of the share premium account of the Company will be applied in paying in full at par 224,999,900 Shares to be allotted and issued to Ming Liang Global, Orient Success and Power Solution, being the Shareholders prior to the Share Offer, representing 50.25%, 16.5% and 8.25%, respectively of the enlarged share capital of the Company after the Listing (assuming the Offer Size Adjustment Option is not exercised).

Immediately following the completion of the Share Offer, Family Trust, through its shareholding in Wei Family Limited and Ming Liang Global, will be beneficially interested in 50.25% of the entire issued share capital of the Company (assuming the Offer Size Adjustment Option is not exercised) and the public Shareholders will be interested in 33.25% of the entire issued share capital of the Company.

The following chart sets forth our shareholding and corporate structure immediately following completion of the Capitalization Issue and the Share Offer (assuming the Offer Size Adjustment Option is not exercised):



Notes:

(1) Family Trust is a discretionary family trust established by Mr. Wei, Ms. Lin and Ms. Liu as the settlors and IQ EQ (BVI) as the trustee. The beneficiaries of Family Trust include Mr. Wei, Ms. Lin, Ms. Liu and certain family members of Mr. Wei.

(2) Wei Family Limited is wholly-owned by IQ EQ (BVI), the trustee of Family Trust.

(3) Orient Success is beneficially owned by Ms. Wang Yaqing, an Independent Third Party prior to the Pre-IPO Investments. Orient Success will be a Substantial Shareholder of the Company upon the Listing. Shares held by Orient Success are not considered as part of the public float.

(4) Power Solution is beneficially owned by Mr. Li Wei, Mr. Li Jiang and Mr. Gu Hai as to 50%, 25% and 25%, respectively. Each of Mr. Li Wei, Mr. Li Jiang and Mr. Gu Hai is an Independent Third Party. Shares held by Power Solution are considered as part of the public float.

LEGAL COMPLIANCE

M&A Rules

According to M&A Rules, a foreign investor is required to obtain necessary approvals when: (i) a foreign investor acquires equity in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise via an increase of registered capital thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise by agreement, or a foreign investor purchases the assets of a domestic enterprise by agreement and injects those assets to establish a foreign-invested enterprise for operation of such assets. According to Article 11 of the M&A Rules, approval from MOFCOM is required when a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it, acquires a domestic company which is related to or connected with it. Pursuant to the Interim Measures which were promulgated by MOFCOM on 8 October 2016 and latest amended on 29 June 2018 and being effective on 30 June 2018, a non-foreign-invested enterprise, who changes into a foreign-invested enterprise by acquisition, merger, or any other means, involving no implementation of special administrative measures stipulated by the state, shall be subject to the Interim Measures and undergo the recordation formalities, instead of approval process, for the change of shareholder.

Since the ultimate Shareholder, Ms. Lin, holds a passport of Republic of Guinea Bissau, and the business scope of Hongguang Glass is not involved in any special administrative measures stipulated by the state, our PRC Legal Advisers have advised that the Interim Measures, but not Article 11 of the M&A Rules, apply to the acquisition of Hongguang Glass by Hongguang Technology. Hongguang Glass has accordingly applied to the competent MOFCOM office for recordation, and the acquisition of Hongguang Glass by Hongguang Technology has been registered with Jieyang AIC, the competent AIC office. As advised by the PRC Legal Advisers, since Hongguang Glass has completed the relevant registration and recordation formalities regarding the acquisition and these registration and recordation formalities have not been revoked by any government authorities, the relevant Reorganization steps do not violate relevant PRC laws and regulations.

SAFE Regulation

According to Circular 37, PRC domestic resident natural persons or domestic resident legal persons shall, before contributing the domestic and overseas lawful assets or interests to a special purpose vehicle (SPV), apply to the competent local branch of the SAFE for going through the procedures for foreign exchange registration of overseas investments, and the domestic resident natural persons need to update such registration in the event of any change of basic information of the registered SPV or change in the SPV's capital, such as increase and decrease of capital, share transfer, share swaps, mergers or divisions. According to Circular 37, special purpose vehicles are defined as the overseas enterprises established directly or controlled indirectly by Chinese residents (including domestic organizations and Chinese resident individuals) using assets or interests of domestic enterprises held by them legitimately or overseas assets or interests held by them legitimately, for the purposes of investment and financing. The round trip investments shall mean direct investment activities in China undertaken by Chinese residents directly or indirectly through special purpose vehicles, namely through establishment of foreign investment enterprises or projects in China by way of, among other things, new establishment, merger and acquisition and other means of obtaining of ownership, control and business management rights.

In addition, according to the procedural guidelines as attached to Circular 37, the domestic resident natural person is only required to register a directly established or controlled SPV on the first level of any corporate structure.

Pursuant to Circular 13, the foreign exchange registration for the establishing and controlling of the special purpose vehicle by the domestic resident will be directly reviewed and handled by banks in accordance with Circular 13, and the SAFE and its branches shall indirectly monitor the foreign exchange registration process in cooperation with banks.

As advised by our PRC Legal Advisers, as confirmed by the competent bank in the PRC, since: (i) our ultimate Shareholder, Ms. Lin, holds passport of Republic of Guinea Bissau, she is not subject to the SAFE registration; and (ii) Mr. Wei and Ms. Liu are merely the beneficiaries of Family Trust and have not held an equity interest in any overseas special purpose vehicle, Mr. Wei and Ms. Liu are not subject to the SAFE registration. As advised by our PRC Legal Advisers, PRC governmental authorities may take different understandings with SAFE registration from time to time, and as confirmed by all the ultimate Shareholders and beneficiary owners, they will take actions and file for registration when required by the authorities.

OVERVIEW

We primarily engage in the manufacture and sale of architectural glass products, including energy-efficient safety glass products and smart glass product, in Southern China. We principally offer the following two categories of architectural glass products under our own "Hong Guang (宏光)" brand:

(i) energy-efficient safety glass products, including coated glass, insulating glass, laminated glass and tempered glass; and

(ii) smart glass product, namely dimming glass.

Our architectural glass products can be processed into glazing materials used in constructing various architectural features, such as curtain wall installation and erection of internal partitions. In addition, our products can be further processed into optical lenses and screen protector. During the Track Record Period, we marketed and sold our products to our customers in China, which are the end-users of our products in the construction, construction material including construction material produced by glass manufacturers, optical and other industries and one trading company located in Jiangsu Province. By offering a wide array of architectural glass products, we are able to cater to a variety of customer requirements and specifications. These glass products are manufactured at our Xianqiao Plant, which has an aggregate gross floor area of 21,424.5 m^2. For the years ended 31 December 2017 and 2018 and the six months ended 30 June 2019, our production volume of coated glass, our major energy-efficient safety glass product, was 0.9 million m^2, 2.4 million m^2 and 1.6 million m^2, respectively.

Our strong research and development capabilities are crucial for us to produce high-quality architectural glass products. As of 30 June 2019, our research and development team consisted of six full-time personnel, who are led by Mr. Lin Gai and Mr. Wei, who have 18 years and 15 years of experience in the glass processing industry, respectively. Through our continuous efforts, we have successfully developed advanced proprietary production processes and products. As of the Latest Practicable Date, we owned five invention patents and 15 utility model patents in China. In addition, we collaborated with Donghua University and a research institute of a national academy in the PRC to optimize our production processes and develop double-silver Low-E glass and new smart glass products, such as electrochromic glass. We believe that our proprietary technologies and technological know-how will allow us to continue to offer high-quality products and be updated with the market developments. A majority of the key quality indicators of our Low-E glass, including emissivity, visible light transmittance, heat transfer and shading coefficient, are higher than the industry average levels.

For the years ended 31 December 2017 and 2018 and the six months ended 30 June 2019, the average selling price of our energy-efficient safety glass products was RMB71.1 per m^2, RMB63.7 per m^2 and RMB62.6 per m^2, respectively; the average selling price of our smart glass product was RMB1,736.1 per m^2, RMB1,761.4 per m^2 and RMB1,574.2 per m^2, respectively.

The table below sets forth the components of our revenue by product for the periods indicated:

	Year ended 31 December				Six months ended 30 June			
	2017		2018		2018		2019	
	Revenue		Revenue		Revenue		Revenue	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000* (Unaudited)	*%*	*RMB'000*	*%*
Coated glass	44,615	37.9	62,570	41.1	21,396	31.0	33,970	34.3
Insulating glass	28,118	23.9	39,801	26.1	24,382	35.3	42,802	43.2
Laminated glass	11,543	9.8	9,952	6.5	4,631	6.7	6,626	6.7
Tempered glass	16,079	13.7	4,042	2.7	2,344	3.4	7,094	7.2
Energy-efficient safety glass products	100,355	85.3	116,365	76.4	52,752	76.4	90,492	91.3
Smart glass product	17,580	15.0	36,206	23.8	16,444	23.8	8,793	8.9
Less: Sales taxes and levies	(303)	(0.3)	(274)	(0.2)	(121)	(0.2)	(186)	(0.2)
Total revenue	**117,632**	**100.0**	**152,297**	**100.0**	**69,075**	**100.0**	**99,099**	**100.0**

Our revenue increased by 43.5% from RMB69.1 million for the six months ended 30 June 2018 to RMB99.1 million for the six months ended 30 June 2019. Our revenue increased by 29.5% from RMB117.6 million for the year ended 31 December 2017 to RMB152.3 million for the year ended 31 December 2018. Our profit for the period increased by 24.1% from RMB9.7 million for the six months ended 30 June 2018, at a net profit margin of 14.0%, to RMB12.0 million for the six months ended 30 June 2019, at a net profit margin of 12.1%. Our profit for the year increased by 36.6% from RMB23.3 million for the year ended 31 December 2017, at a net profit margin of 19.8%, to RMB31.8 million for the year ended 31 December 2018, at a net profit margin of 20.9%.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths are key factors contributing to our historical success:

We offer a wide array of architectural glass products.

We primarily engage in the manufacture and sale of architectural glass products in two principal categories: energy-efficient safety glass products and smart glass product. Our energy-efficient safety glass products include coated glass, insulating glass, laminated glass and tempered glass. Our smart glass product is dimming glass. Our architectural glass products can be processed into glazing materials used in constructing various architectural features, such as curtain wall installation and erection of internal partitions. For example, our coated glass is widely used for installing curtain walls and windows as they are capable of reducing heat transfer through emitting lower levels of infra-red radiation and ultraviolet radiation. Our products can also be further processed into optical lenses and screen protector. By offering a wide array of architectural glass products, we are able to cater to a variety of customer requirements and specifications.

Furthermore, we believe that our diverse product portfolio allows us to enhance our profitability and adjust to market conditions and industry trends. According to HCR, it is expected that dimming glass production volume in China will maintain a CAGR of 21.6% from 254,000 m^2 in 2018 to 675,000 m^2 in 2023, driven by the strong demand for dimming glass in buildings due to its multi-functionality. It is also expected that there will also be an upward trend in the sales volume of dimming glass in China at a similar scale as the production volume of dimming glass. We commenced commercial production of smart glass product in August 2016 and commenced selling such product in September 2016. Our smart glass product is widely installed in external and internal settings where a degree of privacy is usually desirable, such as conference rooms, hospital consultation rooms and bathrooms. We believe that diversifying our product mix will enable us to increase our sources of revenue and capture market opportunities.

Our strong research and development capabilities enable us to develop high-quality architectural glass products.

We invest in research and development, which is critical to our success. We have established a research and development center at our Xianqiao Plant since 2008. As of 30 June 2019, our research and development team consisted of six full-time personnel, who are led by Mr. Lin Gai and Mr. Wei, who have 18 years and 15 years of experience in the glass processing industry, respectively. Mr. Lin is a qualified engineer and holds a master's degree in optical engineering from Sun Yat-sen University (中山大學) in Guangzhou City, Guangdong. He was appointed as a panel member of the China Glass Databank* (中國玻璃數據庫) by CAIGA in 2011, and named as an "Outstanding expert and top-notch talent of Jieyang"* (揭陽市優秀專家及拔尖人才) in 2015. Mr. Wei, our chief executive officer, was an executive council member for the Guangdong Glass Association (廣東省玻璃行業協會) from November 2011 to October 2016, and has served as an executive member of Guangdong Vacuum Industry Technology Innovation Alliance Council (廣東真空產業技術創新聯盟理事會) since 2016.

Through our continuous efforts, we have successfully developed advanced proprietary production processes and products. As of the Latest Practicable Date, we owned five invention patents and 15 utility model patents in China. For example, we have developed high-light-transmittance golden quasi-double-silver Low-E glass (高透光率金色類雙銀Low-E玻璃), a type of Low-E glass with heightened capabilities in light transmittance, heat transfer reduction and energy efficiency, for which we have obtained an invention patent. We collaborated with Donghua University and a research institute of a national academy in the PRC during the Track Record Period to optimize our production processes and develop double-silver Low-E glass and new smart glass products, such as electrochromic glass. A majority of the key quality indicators of our Low-E glass, including emissivity, visible light transmittance, heat transfer and shading coefficient, are higher than the industry average levels. We were given several awards by the PRC Government, such as the "Jieyang Enterprise Technology Center" (揭陽市級企業技術中心) in 2014 and the "Guangdong Energy-efficient and Environmentally Friendly Glass Engineering Technology Research Center" (廣東省節能與環保玻璃工程技術研究中心) in 2015. We were also certified as a "High and New Technology Enterprise" (高新技術企業) in 2014 and 2017, respectively. For the years ended 31 December 2017 and 2018 and the six months ended 30 June 2019, our research and development costs amounted to RMB6.1 million, RMB7.7 million and RMB4.6 million, respectively, accounting for 5.2%, 5.1% and 4.6% of our total revenue, respectively. We believe that our proprietary technologies and technological know-how will allow us to continue to offer high-quality products and be updated with the market developments.

We are well positioned to benefit from favorable PRC Government policies and market developments.

Coated glass, our primary energy-efficient safety glass product, is a type of energy-saving glass which is commonly used in the construction industry. The markets and technological advances in relation to coated glass have developed significantly in recent years, driven primarily by a series of building energy conservation policies and standards promulgated by the PRC Government such as the Guidance Opinion. According to HCR, coated glass production volume in China is expected to increase at a CAGR of 7.8% from 293 million m^2 in 2018 to 427 million m^2 in 2023. We believe our specialization in coated glass well positions us to capture the opportunities arising from the continual growth of the demand of coated glass in China.

We further leveraged our cumulative experience and technological know-how in the production of smart glass product. With the strong demand for dimming glass in new buildings, HCR estimates that dimming glass production volume in China is expected to increase at a CAGR of 21.6% from 254,000 m^2 in 2018 to 675,000 m^2 in 2023 and there will also be an upward trend of a similar scale in dimming glass sales volume. We believe that our business will benefit from increasing market demand for smart glass products in China.

In 2014 and 2017, we were certified as a "High and New Technology Enterprise," respectively, thereby enabling us to enjoy a preferential income tax rate of 15% from 2014 to 2017 and from 2017 to 2020, respectively. In addition, we have received government grants from the local government authorities in relation to, among other things, technical research and development, industrialization and the Listing during the Track Record Period. For the years ended 31 December 2017 and 2018 and the six months ended 30 June 2019, we recorded government grants of RMB6.8 million, RMB8.4 million and RMB0.5 million, respectively.

We have a visionary and experienced management team.

We are led by a visionary senior management team with solid technical and industry experience, enabling us to achieve continued business growth and success. Mr. Wei, our chief executive officer, has 15 years of experience in the glass processing industry and his outstanding achievements as an entrepreneur have been recognised throughout the years. Mr. Lin Gai, our chief production officer, has 18 years of experience in the glass processing industry and was named "Outstanding expert and top-notch talent of Jieyang"* (揭陽市優秀專家及拔尖人才) in 2015 by Jieyang Municipal Government. Mr. Zheng Xubin, our chief sales and marketing officer, who joined us in 2005, also has more than ten years of experience in the glass processing industry and is responsible for developing and implementing our sales and marketing strategies.

We believe that our management team's vision and comprehensive knowledge of our industry allows us to effectively formulate and implement business strategies, evaluate and manage operational risks, anticipate changes in industry developments and capitalize on market opportunities.

OUR BUSINESS STRATEGIES

Our business objectives are to enhance our market position in the architectural glass industry in China and pursue domestic expansion to capture future growth opportunities. To achieve our objectives, we have formulated the following major business strategies:

Upgrade our existing production facilities and strengthen our operational efficiency

We plan to upgrade our existing production facilities, which will strengthen our operational efficiency. For the years ended 31 December 2017 and 2018 and the six months ended 30 June 2019, our production capacity for coated glass, our major energy-efficient safety glass product, was 1.7 million m^2, 1.7 million m^2 and 0.9 million m^2, respectively. The designed production capacity of one coating machine was 750 m^2 coated glass per hour. There are technical constraints of our machineries to operate for long hours under the hot weather as much heat is generated during the coating process which requires cooling. During the coating process in the summer of 2018 and 2019, our machineries stopped working multiple times due to high water temperature and inadequate flow of cooling water. As such, the machineries cannot operate for long hours under high temperature. This technical constraint cannot be resolved by fixing or replacing the cooling water pipes as they are installed inside the chamber of the equipment, but only by adding new chambers to enhance the cooling of our production line. Therefore, this technical constraint can only be addressed by upgrading our production facilities.

Due to the technical constraint of our machineries to operate for long hours under the hot weather, our production is maintained at a minimal level between May and August. For the period between May and August in 2018, our production volume of coated glass was 0.6 million m^2. Given this technical constraint, we had to rely on our inventories to satisfy our sales demand during this period. Our production volume would rebound between September and December due to the resumption of normal operation of our machineries and our sales demand. In 2018, our production volume of coated glass was 1.5 million m^2 between September and December and reached a utilization rate of over 100%. In view of such, there is a need to increase our production capacity to address our production needs and supplement our plan to expand into the coated glass market.

We plan to upgrade our existing production facilities by: (i) automation of the production process of coated glass; (ii) upgrading our existing equipment, including but not limited to, mechanical pumps, molecular pumps and switch board rooms, and coating process of Low-E glass; and (iii) purchasing equipment, including but not limited to, rotating cathodes, vacuum chambers and an edge grinding machine. We expect that the upgrade process will be completed by July 2020 and we expect to achieve a designed annual production capacity for coated glass and double-silver Low-E glass of approximately 2.8 million m^2 and 1.4 million m^2, respectively. As the production of double-silver Low-E glass occupies part of our production facilities, the launch of double-silver Low-E glass will affect the production capacity of our existing products. The designed production capacity of one coating machine will reach approximately 1,200 m^2 coated glass per hour. In addition to the increase in production capacity, the upgrade process for the production of coated glass also helps facilitate our production process by minimizing product defects and enables us to lower our production costs of coated glass by approximately RMB0.3 per m^2 by means of reducing the staff costs. It is estimated that our staff costs would be reduced by 37.5% after the upgrade of our existing equipment assuming that we maintained our total production volume of coated glass in line with that of 2018. We believe that this upgrade will improve our production efficiency, which would in turn allow us to increase our production capacity as well as minimize our product defects and reduce our staff costs.

Expand our market share in China's architectural glass market by diversifying our product portfolio

We focus on expanding our market share in China's coated glass market to enhance our market position in the architectural glass industry. We seek to broaden and enhance our product portfolio by upgrading our existing production line and developing double-silver Low-E glass. As of the Latest Practicable Date, we had one operational production plant, namely Xianqiao Plant, with one production line, capable of producing coated glass, insulating glass, laminated glass, tempered glass and dimming glass.

We plan to strengthen our position in the Low-E glass market. According to HCR, it is expected that there will be an increasing sales demand for Low-E glass in China with the sales volume of Low-E glass increasing from 164 million m^2 in 2018 to 247 million m^2 in 2023. We also strive to expand into the double-silver Low-E glass market. Double-silver Low-E glass is a type of Low-E glass, which according to HCR, is more technologically advanced than single-silver Low-E glass. It has the characteristics of high visible light-transmittance, heat transfer reduction and energy efficiency, used in modern energy-saving buildings. In comparison with single-silver Low-E glass, which contains fewer films, double-silver Low-E glass consists of around eight layers of films. According to HCR, the demand for double-silver Low-E glass is expected to increase significantly in the future, driven by favorable PRC Government policies such as the Development Plan and increasing users' recognition of the energy-saving effect of double-silver Low-E glass. The Development Plan, as a guidance issued by the MIIT, emphasizes the development of coating technology and the construction of production line of coated glass in all provinces. It supports the development of high performance and multi-functional coated glass and intends to promote the production and application of green building materials, which include coated glass and Low-E glass, in new construction projects to a ratio of more than 40% by 2020. Furthermore, there is increasing users' recognition of the energy-saving effect of double-silver Low-E glass as it can reduce energy consumption more effectively than single-silver Low-E glass, which in turn helps reduce utility charges such as air-conditioning charges. It is expected that the sales volume of double-silver Low-E glass in China will increase from 30.5 million m^2 in 2018 to 49.9 million m^2 in 2023 at a CAGR of 10.4%. In particular, it is expected that the sales volume of double-silver Low-E glass in Guangdong and Jiangsu Province will increase from 4.1 million m^2 and 5.9 million m^2 in 2018 to 6.0 million m^2 and 9.2 million m^2 in 2023 at a CAGR of 9.5% and 9.2%, respectively.

To capture the market opportunities, we have completed pilot scale test (中試) in which we were able to produce small-sized double-silver Low-E glass in March 2018. As of the Latest Practicable Date, we have developed high-light-transmittance golden quasi-double-silver Low-E glass (高透光率金色類雙銀Low-E玻璃). As of August 2019, six customers had expressed their intention of purchasing double-silver Low-E glass from us including the coated glass and the insulating glass with a total expected purchase volume of 0.4 million m^2 and a total expected purchase amount of RMB43.4 million when we commence commercial production of such products. During the Track Record Period, we did not commence production of double-silver Low-E glass. Apart from the orders of double-silver Low-E glass, we did not decline any customers' orders of our existing products during the Track Record Period.

We plan to continue to develop double-silver Low-E glass by: (i) improving the production process of coated glass; and (ii) upgrading the coating process of Low-E glass. The total expenditure for such development plan is expected to be approximately HK$25.0 million with a breakdown as follows:

Items	Machineries to be added to our production line	Major use of the equipment	Estimated cost
			(HK$'000)
1.	Purchase ten rotating cathodes, ten cathode power supply, 20 turbomolecular pumps, eight mechanical pumps and eight roots vacuum pumps	To enhance the production efficiency of coated glass	19,800
2.	Purchase two vacuum chambers	To enhance the cooling of our production line and the production efficiency of coated glass	800
3.	Modify two tempering furnaces and purchase one edge grinding machine	To satisfy our production needs for double – silver low-E glass	3,400
4.	Upgrade the coating process of Low-E glass	N/A	1,000
Total			**25,000**

We will fund the expected expenditure of approximately 52% through cash flow from operating activities, and of approximately 48% through proceeds from the Share Offer. Once our existing production facilities are upgraded, we would be able to enhance the production efficiency of coated glass and commence commercial production of double-silver Low-E glass. We expect to commence commercial production of double-silver Low-E glass in July 2020. We believe that we are able to leverage our existing experience and technological know-how to develop high-quality Low-E glass to seize the business opportunities in the growing market of double-silver Low-E glass.

We expect the upgraded production line will be capable of producing high performance products, including double-silver Low-E glass, along with our existing products. We believe that the diversification of our product portfolio will also enable us to better serve our existing customers and develop new customers.

Further enhance our research and development capabilities

We believe continued enhancement of our research and development capabilities to be essential to our success. We intend to introduce new technologies and products by investing further in research and development. We will continue to collaborate with Donghua University and a research institute of a national academy in the PRC to develop double-silver Low-E glass and electrochromic glass and improve the production process.

To support our research and development team, we will also recruit more technicians and encourage our research and development staff to attend training and seminars on technical skills and smart glass product. We plan to recruit three researchers. We also plan to organize conferences by inviting industry experts and scholars to study and discuss on smart glass and double-silver Low-E glass. Furthermore, we plan to upgrade our research and development facilities by purchasing new laboratory equipment, which is necessary as we plan to commence commercial production of double-silver Low-E glass after our production facilities have been upgraded. As double-silver Low-E glass has an additional silver layer as compared to single-silver Low-E glass which involves more films and each film is inter-related, laboratory equipment is needed to analyze and test the characteristics of each film in order to monitor the quality of our products. The laboratory equipment to be acquired includes spectrophotometer, scanning test system and ellipsometer. The total expenditure for the continued enhancement of our research and development capabilities is expected to be approximately HK$38.5 million for a period of two years from 2020 to 2021 with a breakdown as follows:

Items	Estimated cost
	(HK$'000)
1. Funding for cooperative development program with universities	4,300
2. Remuneration of personnel for research and development	3,050
3. Providing internal training and organizing conferences	1,000
4. Purchasing raw materials for conducting experiments and laboratory equipment	29,000
5. Application for patents	150
6. Others	1,000
Total	**38,500**

We will fund the expected expenditure of approximately 92% through cash flow from operating activities and interest-bearing bank loans obtained for the purpose of purchasing raw materials, and of approximately 8% through proceeds from the Share Offer. We expect that the continued enhancement of our research and development capabilities will be fundamental in growing our business.

Expand our sales and marketing coverage

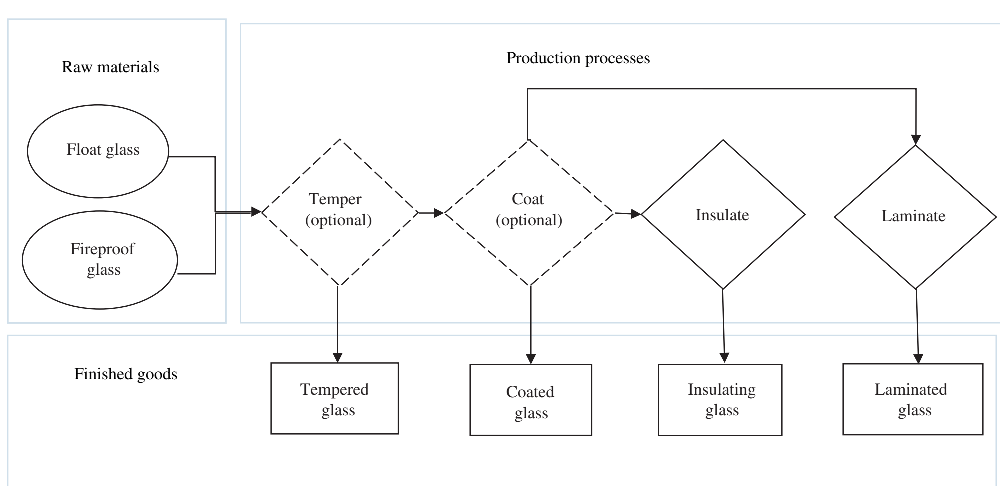
We intend to further expand our market share in the markets of Central China and Eastern China for a period of two years from 2020 to 2021, by: (i) participating in various exhibitions, such as Central China Building and Decoration Materials Expo (華中建築及裝飾材料博覽會) and China (Shanghai) International Glass Industrial Technical Exhibition (中國(上海)國際玻璃工業技術展覽會) held in Jiangxi, which are close to Central China; and (ii) establishing new offices in Eastern China, such as Nanchang and Suzhou, by the end of June 2020, by recruiting six employees with experience in domestic sales and marketing, including three employees based in Nanchang and three employees based in Suzhou. As Jiangsu Province and Jiangxi Province were our second and third largest markets in terms of revenue and the number of customers for the year ended 31 December 2018, we believe that establishing new offices in Nanchang and Suzhou, which are located in Jiangxi Province and Jiangsu Province, respectively, would enable us to further expand in these two markets and the markets of Central China and Eastern China as a whole. With the geographical advantages of our new offices, we would be able to promote sales in Central China and Eastern China by: (i) paying regular visits to existing customers in those areas to strengthen our business relationship with them; (ii) paying visits to potential customers in those areas to promote our products; (iii) paying close attention to and gain a deep understanding of the progress of the property development projects in the vicinity in order to identify business opportunities with construction companies; (iv) participating in exhibitions held near those areas to promote our products and obtain information from potential customers as well as solicit business from them; and (v) displaying product samples in our offices to enhance customers' understanding of our products. The expenditure for hiring additional qualified personnel is expected to be approximately HK$300,000 per year. The rent for the planned offices, occupying a total area of 350 m^2, is expected to be approximately HK$500,000 per year. The total expenditure for expansion into Central China and Eastern China is expected to be approximately HK$1.9 million. We will fund the expected expenditure of approximately 32% through cash flow from operating activities, and of approximately 68% through proceeds from the Share Offer. We believe the expansion of our market share in Central China and Eastern China will increase our sources of revenue and broaden our customer base.

OUR BUSINESS MODEL AND PRODUCTS

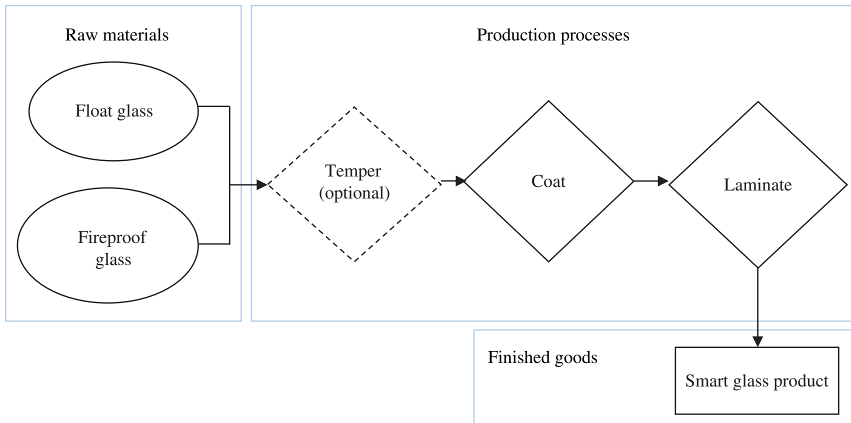
We primarily engage in the manufacture and sale of architectural glass products in Southern China. Our architectural glass products can be processed into glazing materials used in constructing various architectural features, such as curtain wall installation and erection of internal partitions. In addition, our products can be further processed into optical lenses and screen protector. We currently offer architectural glass products under our own "Hong Guang (宏光)" brand in two principal categories: energy-efficient safety glass products and smart glass product.

We process float glass and fireproof glass purchased from suppliers, who are Independent Third Parties to produce energy-efficient safety glass products such as coated glass, insulating glass, laminated glass and tempered glass, and smart glass product. During the Track Record Period, we produced coated glass and tempered glass to process into other glass products. During the Track Record Period, we also purchased coated glass from other manufacturers as a raw material to further process insulating glass, laminated glass and smart glass product because: (i) our customers demanded insulating glass and laminated glass products made from coated glass with different colors and it is not economically practical for us to produce coated glass that has the specific color, which would significantly increase our research and development costs; and (ii) at times we did not have sufficient capacity to produce coated glass for further processing into other energy-efficient safety glass products and smart glass product. The purchase volume of coated glass for further processing amounted to 0.9 million m^2, 1.0 million m^2 and 0.3 million m^2, respectively, for the years ended 31 December 2017 and 2018 and the six months ended 30 June 2019. For the period from October 2018 to April 2019, we purchased tempered glass from Jieyang Jiedong District Huawei Tempered Glass Factory (揭陽市揭東區華威鋼化玻璃廠), when Hongguang Glass did not hold the China Compulsory Product Certification (強制性產品認證證書) for architectural tempered glass of thickness of no more than 6 mm. It was not used to process into other glass products, but to further sell to our customers. For details, please refer to "Business — Incident Relating to Product Quality" in this Prospectus. This is illustrated by the following diagrams:

Energy-efficient Safety Glass Products Production Process



Smart Glass Product Production Process



The table below sets forth the components of our revenue by product for the periods indicated:

	Year ended 31 December				**Six months ended 30 June**			
	2017		**2018**		**2018**		**2019**	
	Revenue		**Revenue**		**Revenue**		**Revenue**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
					(Unaudited)			
Coated glass	44,615	37.9	62,570	41.1	21,396	31.0	33,970	34.3
Insulating glass	28,118	23.9	39,801	26.1	24,382	35.3	42,802	43.2
Laminated glass	11,543	9.8	9,952	6.5	4,631	6.7	6,626	6.7
Tempered glass	16,079	13.7	4,042	2.7	2,344	3.4	7,094	7.2
Energy-efficient safety glass products	100,355	85.3	116,365	76.4	52,752	76.4	90,492	91.3
Smart glass product	17,580	15.0	36,206	23.8	16,444	23.8	8,793	8.9
Less: Sales taxes and levies	(303)	(0.3)	(274)	(0.2)	(121)	(0.2)	(186)	(0.2)
Total revenue	**117,632**	**100.0**	**152,297**	**100.0**	**69,075**	**100.0**	**99,099**	**100.0**

For a discussion of factors affecting our revenue growth and gross profit margin, see "Financial Information — Management's Discussion and Analysis of Financial Condition and Results of Operations — Description of Components of Result of Operations — Revenue" and "Financial Information — Management's Discussion and Analysis of Financial Condition and Results of Operations — Description of Components of Results of Operations — Gross profit and gross profit margin."

Energy-Efficient Safety Glass

We offer a wide range of energy-efficient safety glass products which can be categorized by reference to the last stage of their respective production processes. These include the following:

- *Coated glass.* Coated glass is a glass sheet coated with a layer and/or layers of film composed of metal and/or metal oxide compounds to provide diverse functions and colors. During the Track Record Period, we offered three types of coated glass, namely Low-E glass, solar control glass and conductive glass. Based on our customers' requirements, we may temper our coated glass. We offered Low-E glass, solar control glass and conductive glass in various colors including clear, gold, silver blue, silver grey, blue and green.

  Low-E glass is coated with a low-emissivity coating which has low surface radiation rate to reduce infrared radiation or heat generally, while allowing visible light through the glass. As such, in cooler climate or the winter season, Low-E glass could help trap the heat indoors by reducing the loss of heat from indoors to outdoors. In warmer climate or during the summer season, Low-E glass could help reflect radiation away from the building and keep the space indoors cooler than outdoors. It is energy-efficient coated glass used in real estate development and construction. During the Track Record Period, single-silver Low-E glass was our primary Low-E glass product.

  We also introduced two new types of coated glass with upgraded specifications. One is high infrared reflective coated glass which can be used as low-conductive glass. The other is multi-layer coated glass which can be used as high-performance Low-E glass.

  During the Track Record Period, we also manufactured and sold a small amount of solar control glass which allows sunlight to pass through while reducing levels of solar energy and ultraviolet radiation. It is energy-efficient coated glass used in real estate development and construction.

  During the Track Record Period, we also manufactured and sold conductive glass, which is coated with an electrically conductive coating that allows glass to increase light transmittance and optimize electrical conductivity. Conductive glass can be further processed into a wide range of products, such as solar panel and display screen. In addition to the use in constructing various architectural features, our conductive glass can be further processed for other uses, such as optical lenses and screen protector.

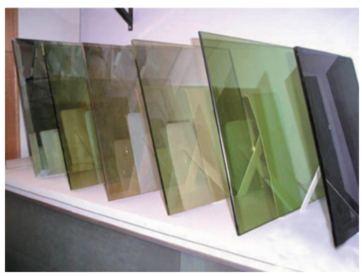
- *Insulating glass.* Insulating glass consists of two or more glass sheets sealed around the edges with a gas-filled space in between, forming a single unit. Each set of two glass sheets is held apart by an aluminum spacer, which contains a desiccant that absorbs humidity from within the gas-filled space. Insulating glass reduces the transfer of sound and heat, such that external noise is dampened and there is less heat gain or loss in warmer or colder temperatures, respectively.

- *Laminated glass*. Laminated glass consists of two or more glass sheets. Each set of two glass sheets is bound together with a PVB interlayer. The PVB interlayer provides a resistant cushioning effect to hold glass fragments in place, thus preventing the glass from shattering into jagged shards when broken.

- *Tempered glass.* Tempered glass is produced by heating glass to its softening point and then rapidly cooling the surface with air to adjust its surface tension and increase its strength. Tempered glass fractures into small, relatively harmless pieces when broken instead of shattering into jagged shards, effectively reducing the risk of severe injuries in comparison to non-tempered glass.

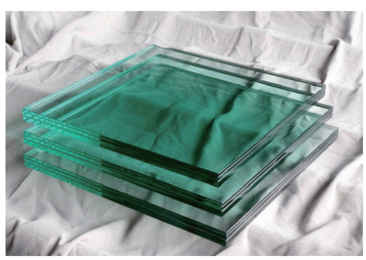
Furthermore, when we further process tempered glass or coated glass into insulating glass or laminated glass, the insulating glass or laminated glass is infused the same features of tempered glass or coated glass.

Set forth below are photographs of our energy-efficient safety glass products:



Coated glass

Insulating glass



Laminated glass

Tempered glass

For the years ended 31 December 2017 and 2018 and the six months ended 30 June 2019, we sold 1.4 million m^2, 1.8 million m^2 and 1.4 million m^2 of energy-efficient safety glass products, respectively, with an average selling price of RMB71.1 per m^2, RMB63.7 per m^2 and RMB62.6 per m^2, respectively.

According to HCR, the average selling price of our energy-efficient safety glass products was higher than the average market price of energy-efficient safety glass products in China mainly because: (i) we purchased high-quality float glass with high purity as our raw material to process into energy-efficient safety glass products; (ii) our coating process involved cutting, edging and cleaning of coated glass during the Track Record Period, which increased the production cost of our coated glass and its selling price, while HCR sampled coated glass with a thickness of 5 mm to 6 mm and without further processing and we sold thicker (more than 5 mm and 6 mm) coated glass during the respective financial periods; and (iii) we sold both fireproof laminated glass and tempered laminated glass during the Track Record Period, with the former having a higher selling price than the latter, as confirmed by HCR.

Smart Glass

Smart glass possesses light and heat transmission properties which can be altered on the application of voltage. During the Track Record Period, our smart glass product was dimming glass. Dimming glass consists of two or more glass sheets bound together with a PDLC interlayer, forming a structure similar to that of laminated glass. The PDLC interlayer itself is conductive. When no voltage is applied, liquid crystals in the PDLC interlayer are randomly arranged and light scattering, causing the glass to look opaque. When voltage is applied, liquid crystals in the PDLC interlayer align parallel to allow the passage of light, causing the glass to look transparent. Dimming glass is widely installed in external and internal settings where a degree of privacy is usually desirable, such as conference rooms, hospital consultation rooms and bathrooms. We also combine the production processes of coated glass and laminated glass to produce dimming glass.

Set forth below are photographs of our smart glass product:

Dimming glass (switched off)

Dimming glass (switched on)

HCR sampled the smart glass product (mainly interior construction) with thickness of 5 mm and 6 mm as its benchmark. HCR confirmed that the selling price of the smart glass product varies with: (i) its thickness; (ii) premium attributable to the accreditation of the product recognized by the downstream customers; and (iii) the specific requirements of different industries end-users and the difficulties of production.

The table below sets forth the average market price of smart glass product by thickness and industry:

Thickness	Industry	Price range
		(RMB/m^2)
Less than 6 mm	Interior construction	>1,200
	Optical, outdoor advertising and electronic	>1,700
More than 6 mm	Interior construction	>1,350
	Optical, outdoor advertising and electronic	>1,900

Data source: HCR

The average selling price of our smart glass product was higher than the average market price in China mainly because: (i) we sold thicker smart glass product (more than 5 mm thickness) with a higher selling price during the Track Record Period; (ii) our smart glass product was well-received by our customers and sold at a little premium due to the Guangdong High and New Technology Product Certification (廣東省高新技術產品證書), issued by Guangdong High and New Technology Enterprise Association (廣東省高新技術企業協會), that we obtained for our smart glass product. As one of the three manufacturers who obtained the Guangdong High and New Technology Product Certification for smart glass products between 2017 and 2018, we will take this into consideration when negotiating the price with customers. According to HCR, the Guangdong High and New Technology Product Certification is considered as an indicator of the high quality of our products and widely recognized by downstream users of our products. Therefore, a little premium will be added on our smart glass product comparing with other smart glass product; and (iii) we sold majority of our smart glass product to the customers in the optical, outdoor advertising and electronic industries.

Seasonality

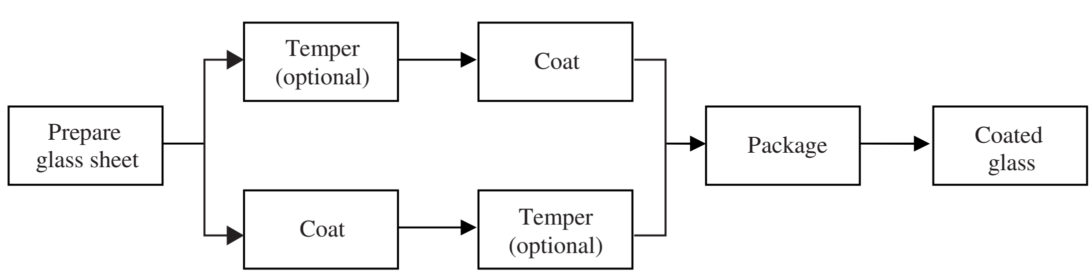
Sales of our products are not subject to material seasonal fluctuations. However, we may record lower revenue in the first quarter of each year in comparison to other quarters in the same or a different year. This is primarily because many of our customers, which are the end-users of our products in the construction, construction material including construction material produced by glass manufacturers, optical and other industries and one trading company located in Jiangsu Province, are on holiday during the Chinese New Year, resulting in a reduction in our sales activities.

PRODUCTION

Production Process

As of the Latest Practicable Date, we operated one production line along with five production processes, capable of producing coated glass, insulating glass, laminated glass, tempered glass and dimming glass. Our production processes can be adjusted to produce different products. For example, we can combine the production processes of coated glass and laminated glass to produce dimming glass. The following diagrams illustrate the production processes for our major products:

Coated glass



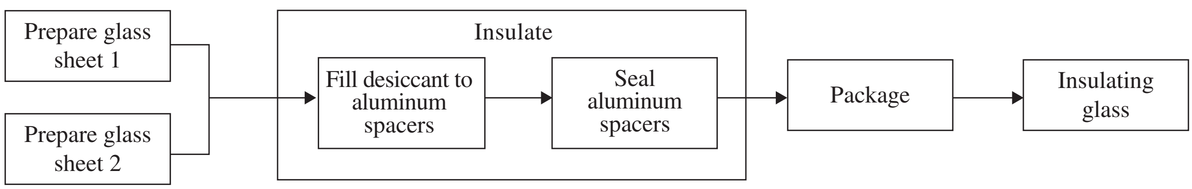
- *Prepare glass sheet* — We prepare glass sheets by cutting, edging and cleaning float glass or fireproof glass.

- *Temper* — The glass travels through a tempering furnace. This stage is optional to the specifications required by our customers.

- *Coat* — Tempered glass is transferred into a vacuum chamber, where it is coated with film by a coating machine.

The production process of each piece of coated glass takes approximately 10 minutes.

Insulating glass



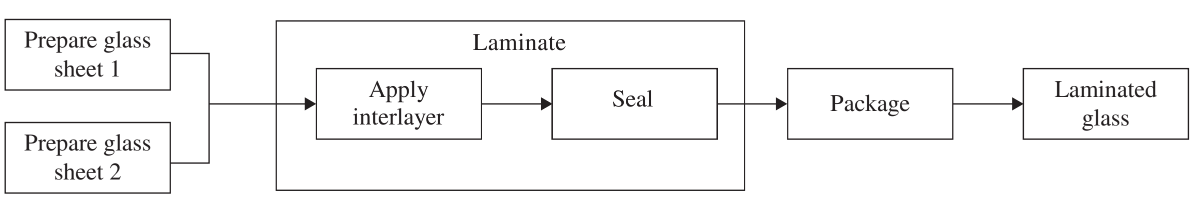
- *Prepare glass sheet* — We prepare two or more glass sheets by cutting, edging and cleaning float glass or fireproof glass, which may also be replaced by tempered glass or coated glass in accordance with the specifications required by our customers.

- *Fill desiccant to aluminum spacers* — We fill desiccant to aluminum spacers to remove the moisture trapped within.

- *Seal aluminum spacer* — Interior sealant is applied to the aluminum spacer, attaching together two or more glass sheets. Exterior sealant is then applied to seal the edges of the finished product.

The production process of each piece of insulating glass takes approximately five minutes, while the solidification time of sealant used in the insulating process takes approximately 12 hours.

Laminated glass



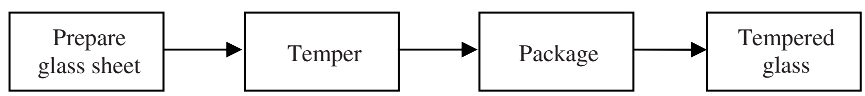
- *Prepare glass sheet* — We prepare two or more glass sheets by cutting, edging and cleaning float glass or fireproof glass, which can also be replaced by tempered glass or coated glass in accordance with the specifications required by our customers.

- *Apply interlayer* — One or more PVB interlayers are applied between two or more glass sheets.

- *Seal* — Two or more glass sheets, now bound together with one or more PVB interlayers, are sealed by applying heat and pressure within an autoclave (a type of pressure chamber).

The production process of each piece of laminated glass takes approximately four hours and 10 minutes.

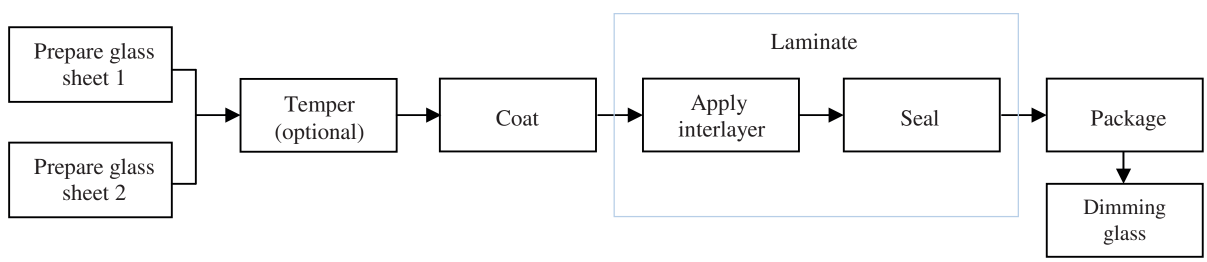
Tempered glass



- *Prepare glass sheet* — We prepare glass sheets by cutting, edging and cleaning float glass or fireproof glass.

- *Temper* — The glass travels through a tempering furnace.

Dimming glass



- *Prepare glass sheet* — We prepare two or more glass sheets by cutting, edging and cleaning float glass, which can also be replaced by fireproof glass in accordance with the specifications required by our customers.

- *Temper* — The glass travels through a tempering furnace. This stage is optional according to the specifications required by our customers.

- *Coat* — Glass sheet is transferred into a vacuum chamber, where it is coated with film by a coating machine. If we use coated glass as a raw material for the production of dimming glass, this stage can be skipped.

- *Apply interlayer* — One or more PDLC interlayers are combined with two or more PVB interlayers applied between two or more glass sheets.

- *Seal* — Two or more glass sheets, now bound together with one or more PDLC interlayers, are sealed by applying heat and pressure within an autoclave (a type of pressure chamber).

The production process of each piece of dimming glass takes approximately four hours and 20 minutes.

Production Facilities

As of the Latest Practicable Date, Xianqiao Plant was our sole operational production plant located in Guangdong Province. Our Xianqiao Plant has an aggregate gross floor area of 21,424.5 m^2. For the years ended 31 December 2017 and 2018 and the six months ended 30 June 2019, our production volume of coated glass, our major energy-efficient safety glass product, was 0.9 million m^2, 2.4 million m^2 and 1.6 million m^2, respectively.

As of 30 June 2019, we had mainly 11 machineries and equipment that we used at our plant mainly including cutting machines, edging machines, tempering furnaces, coating machines, a laminated processing machine and an insulating processing machine. We purchased these machines and equipment in the PRC. Our main machineries and equipment have an average age of approximately seven years and have a useful life of ten years for depreciation. We carry out maintenance and repair works to extend the useful life of our machineries and equipment from time to time. In addition, we have implemented a set of operating procedures for our machineries and equipment. Our production department is responsible for monitoring and maintaining the functionality of our production facilities from time to time.

The table below sets forth certain operating data relating to our architectural glass production facilities for the periods indicated:

	Year ended 31 December						Six months ended 30 June		
	2017			2018			2019		
	Production capacity(1)	Production volume(2)	Utilization rate(3)	Production capacity(1)	Production volume(2)	Utilization rate(3)	Production capacity(1)	Production volume(2)	Utilization rate(3)
	'000 m^2	*'000 m^2*	*%*	*'000 m^2*	*'000 m^2*	*%*	*'000 m^2*	*'000 m^2*	*%*
Coated Glass	1,728.0(4)	874.3	50.6	1,728.0(4)	2,421.3(5)	140.1(6)	864.0(4)	1,556.1(13)	180.1(14)
Tempered Glass	748.8(7)	1,340.5(8)	179.0(9)	748.8(7)	606.7	81.0	374.4(7)	301.5	80.5
Insulating Glass	691.2(10)	338.1	48.9	691.2(10)	517.9	74.9	345.6(10)	494.7(15)	143.2(16)
Laminated Glass	124.8(11)	105.7	84.7	124.8(11)	76.5	61.3	62.4(11)	50.6	81.1
Smart Glass	33.7(12)	9.6	28.4	33.7(12)	17.3	51.4	16.9(12)	4.2	24.9

Notes:

(1) Production capacity represents production capacity of each production process, which is the sum of monthly weighted average production capacity of the production process for the year/period.

(2) Production volume represents production volume of each production process. As disclosed in "— Our Business Model and Products:" (i) coated glass and tempered glass may be further processed into insulating glass and laminated glass; and (ii) coated glass and tempered glass may be further processed into smart glass through laminate process.

(3) Utilization rate is calculated by dividing production volume of each production process for the year/period by production capacity of each production process for the year/period.

(4) The production capacity of coated glass in 2017 and 2018 and for the six months ended 30 June 2019 was calculated based on: (i) the designed production capacity of one coating machine which produced 750 m^2 coated glass per hour; and (ii) one shift working 24 days per month with eight hours per day.

(5) The production volume of coated glass in 2018 was calculated based on the following working arrangements: (i) the designed production capacity of one coating machine which produced 750 m^2 coated glass per hour; (ii) for the nine months ended 30 September 2018, one shift working 24 days per month with eight hours per day; and (iii) for the period from 1 October to 31 December 2018, two shifts working 28 days per month with 24 hours per day, in order to satisfy the increase in our orders of coated glass. Our coating machine could operate for 24 hours for 28 days in a month due to the low temperature in the winter.

(6) The utilization rate of coated glass in 2018 was more than 100% which was mainly attributable to an increase in the production volume in 2018 in order to satisfy the increase in our orders of coated glass.

(7) The production capacity of tempered glass in 2017 and 2018 and for the six months ended 30 June 2019 was calculated based on: (i) the designed production capacity of three tempering furnaces which produced 300 m^2 tempered glass per hour; and (ii) one shift working 26 days per month with eight hours per day.

(8) The production volume of tempered glass in 2017 was calculated based on: (i) the designed production capacity of three tempering furnaces which produced 300 m^2 tempered glass per hour; and (ii) two shifts working 26 days per month with 16 hours per day in order to satisfy the increase in our orders of tempered glass.

(9) The utilization rate of tempered glass in 2017 was more than 100% which was mainly attributable to an increase in the production volume in 2017 in order to satisfy the increase in our orders of tempered glass.

(10) The production capacity of insulating glass in 2017 and 2018 and for the six months ended 30 June 2019 was calculated based on: (i) the designed production capacity of one insulating processing machine which produced 200 m^2 insulating glass per hour; and (ii) one shift working 24 days per month with 12 hours per day. The formula for calculating the production capacity of insulating glass is different from that for calculating the production capacity of other glass products mainly because the solidification time of sealant used in the insulating process requires the insulating processing machine to continue working for 12 hours.

(11) The production capacity of laminated glass in 2017 and 2018 and for the six months ended 30 June 2019 was calculated based on: (i) the designed production capacity of one laminated processing machine which produced 50 m^2 laminated glass per hour; and (ii) one shift working 26 days per month with eight hours per day.

(12) The production capacity of smart glass in 2017 and 2018 and for the six months ended 30 June 2019 was calculated based on: (i) the designed production capacity of one coating machine and one laminated processing machine which produced 13.5 m^2 smart glass per hour; and (ii) shifts from the production of coated glass and laminated glass working 26 days per month with eight hours per day.

(13) The production volume of coated glass for the six months ended 30 June 2019 was calculated based on the following working arrangements: (i) the designed production capacity of one coating machine which produced 750 m^2 coated glass per hour; (ii) in June 2019, one shift working 24 days per month with eight hours per day; and (iii) from January to May 2019, two shifts working 28 days per month with 24 hours per day, in order to satisfy the increase in our orders of coated glass. Our coating machine could operate for 24 hours for 28 days in a month due to the low temperature in the winter.

(14) The utilization rate of coated glass for the six months ended 30 June 2019 was more than 100% because of an increase in the production volume in 2019 in order to satisfy the increase in our orders of coated glass.

(15) The production volume of insulating glass for the six months ended 30 June 2019 was calculated based on the following working arrangements: (i) the designed production capacity of one insulating processing machine which produced 200 m^2 insulating glass per hour; and (ii) one shift working 28 days per month with 12 hours per day in order to satisfy the increase in our orders of insulating glass.

(16) The utilization rate of insulating glass for the six months ended 30 June 2019 was more than 100% because of an increase in the production volume in 2019 in order to satisfy the increase in our orders of insulating glass.

We manufacture our products based on the number of orders. As such, we adjust our production volume along with the number of orders by lengthening or reducing the operating hours of our machineries and equipment. The length of working days is subject to the maintenance arrangement of each machine and equipment. We adopted 24 days per month to calculate the production capacity of coated glass and insulating glass because their production facilities need to take six days for maintenance, while for the other products, we adopted 26 days per month to calculate the production capacity because their production facilities only need to take four days for maintenance. In addition, we adopted 12 hours per day to calculate the production capacity of insulating glass because the solidification time of sealant used in the insulating process requires the insulating processing machine to continue working for 12 hours. During the Track Record Period, the changes in our production volume and utilization rate were generally in line with the changes in our sales volume.

RESEARCH AND DEVELOPMENT

We believe that our research and development efforts allow us to develop new innovative products and upgrade our existing products and technologies. We have established a research and development center at our Xianqiao Plant since 2008. As of 30 June 2019, our research and development team consisted of six full-time personnel, who are led by Mr. Lin Gai and Mr. Wei. Mr. Lin joined us in 2014 and has 18 years of experience in the glass processing industry. Mr. Wei has 15 years of experience in the glass processing industry. Mr. Lin is a qualified engineer and holds a master's degree in optical engineering from Sun Yat-sen University. He was appointed as a panel member of the China Glass Databank (中國玻璃數據庫) by CAIGA in 2011, and named as an "Outstanding expert and top-notch talent of Jieyang"* (揭陽市優秀專家及拔尖人才) in 2015. Mr. Wei, our chief executive officer, has served as an executive member of Guangdong Vacuum Industry Technology Innovation Alliance Council (廣東真空產業技術創新聯盟理事會) since 2016.

Through our continuous efforts, we have successfully developed advanced proprietary production processes and products. For example, we have developed high-light-transmittance golden quasi-double-silver Low-E glass (高透光率金色類雙銀Low-E玻璃), a type of Low-E glass with heightened capabilities in light transmittance, heat transfer reduction and energy efficiency, for which we have obtained an invention patent.

In addition, during the Track Record Period, we collaborated with Donghua University and a research institute of a national academy in the PRC to optimize our production processes and develop double-silver Low-E glass and new smart glass products, such as electrochromic glass. Our collaboration agreements with these two parties are legally binding. The details of the agreements are set out below:

- In July 2016, we entered into a technology cooperation agreement with Donghua University, pursuant to which we agreed to pay Donghua University RMB0.5 million in exchange for their development of manufacturing method of electrochromic film. Donghua University and us agree to jointly own the intellectual property rights resulting from the performance of the agreement.

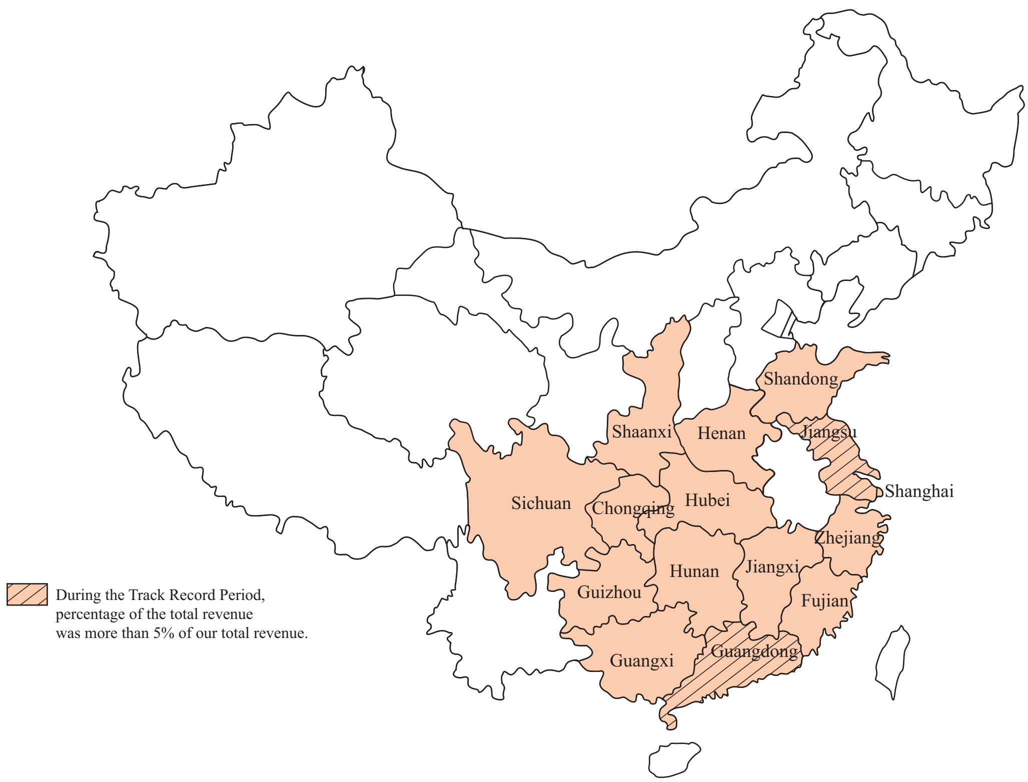
- In May 2018, we entered into a technology cooperation agreement with a research institute of a national academy in the PRC, pursuant to which we agreed to pay the institute RMB2.0 million in exchange for the development of technology research for electrochromic film. The institute and us agree to jointly own the intellectual property rights resulting from the performance of the agreement.

A majority of the key quality indicators of our Low-E glass, including emissivity, visible light transmittance, heat transfer and shading coefficient, are higher than the industry average levels. As of the Latest Practicable Date, we had registered five invention patents and 15 utility model patents in China. We were given several awards by the PRC Government such as the "Jieyang Enterprise Technology Center" (揭陽市級企業技術中心) in 2014 and the "Guangdong Energy-efficient and Environmentally Friendly Glass Engineering Technology Research Center" (廣東省節能與環保玻璃工程技術研究中心) in 2015. We were also certified as a "High and New Technology Enterprise" in 2014 and 2017, respectively.

For the years ended 31 December 2017 and 2018 and the six months ended 30 June 2018 and 2019, our research and development costs amounted to RMB6.1 million, RMB7.7 million, RMB3.1 million and RMB4.6 million, respectively, accounting for 5.2%, 5.1%, 4.6% and 4.6% of our total revenue, respectively. Our research and development costs mainly consist of costs of inventories, depreciation and staff costs, which were recognized as expenses when incurred.

OUR CUSTOMERS

During the Track Record Period, we marketed and sold our products to our customers in China, which are the end-users of our products in the construction, construction material including construction material produced by glass manufacturers, optical and other industries and one trading company located in Jiangsu Province. For the years ended 31 December 2017 and 2018 and the six months ended 30 June 2019, we had over 80, 100 and 80 customers, respectively. The following map illustrates the geographical coverage of our sales:



Major Customers

We have established business relationships ranging from one to six years with our five largest customers during the Track Record Period. For the years ended 31 December 2017 and 2018 and the six months ended 30 June 2019, sales to our five largest customers amounted to RMB47.2 million, RMB46.0 million and RMB38.1 million, respectively, accounting for 40.1%, 30.2% and 38.4% of our total revenue, respectively. For the years ended 31 December 2017 and 2018 and the six months ended 30 June 2019, sales to our largest customer amounted to RMB14.6 million, RMB13.9 million and RMB17.3 million, respectively, accounting for 12.4%, 9.2% and 17.5% of our total revenue, respectively. We had different five largest customers during the Track Record Period mainly because our customers' demand was driven by their respective projects during the year. Therefore, the amount and types of glass products that they demanded varied among different years. For example, an increase in the demand for our smart glass product of some customers such as Jiangsu Xiangquan Automation Equipment Co., Ltd. for the year ended 31 December 2018 and the demand for two new types of coated glass with upgraded specifications of some customers such as Huachuan Construction Group Co., Ltd. and Hunan Zhongya Optoelectronics Co., Ltd. for the six months ended 30 June 2019. To the best knowledge of our Directors, none of our Directors, their close associates or our Shareholders who hold more than 5% of our issued share capital had any interest in our five largest customers.

The table below sets forth the sales by industry of our customers for the periods indicated:

	Year ended 31 December				**Six months ended 30 June**			
	2017		**2018**		**2018**		**2019**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Construction[(1)]	34,500	29.3	51,508	33.8	20,117	29.1	51,666	52.0
Construction material[(2)]	25,744	21.8	30,050	19.7	19,221	27.8	7,453	7.5
Optical industry[(3)]	54,096	45.9	62,042	40.7	24,434	35.3	37,348	37.6
Trading company[(4)]	2,554	2.2	8,857	5.8	5,419	7.8	1,065	1.1
Others[(5)]	1,041	0.8	115	0.1	4	0.0	1,753	1.7
Total	**117,935**	**100.0**	**152,571**	**100.0**	**69,196**	**100.0**	**99,285**	**100.0**

Notes:

(1) Our customers in the construction industry mainly engage in the provision of construction services.

(2) Our customers in the construction material industry mainly engage in glass manufacturing and other construction material manufacturing.

(3) Our customers in the optical industry mainly engage in the production of optoelectronic curtain walls, display screens and optical lenses.

(4) Our customer as a trading company mainly engages in the resale of our products.

(5) Others mainly include the customers operating in the real estate, energy and advertising industries.

The table below sets forth the details of our five largest customers for the year ended 31 December 2017:

Rank	Customers	Company background	Products sold to the customer	Year of commencement of business relationship	Actual credit terms	Payment method	Revenue from the customer for the year ended 31 December 2017	Percentage of our total revenue for the year ended 31 December 2017
					days		*RMB'000*	%
1 . . .	Shenzhen Evawe Industry Co., Ltd.* (深圳市越華暉實業有限公司)	A private company mainly engaging in the manufacture and sale of liquid crystal display	Coated glass, insulating glass, laminated glass and smart glass	2016	2-148[2]	Bank transfer	14,574	12.4
2 . . .	Shenzhen Xingyaofu Industrial Co., Ltd.* (深圳市星耀福實業有限公司)	A private company mainly engaging in manufacture and sale of doors and windows	Coated glass, insulating glass and tempered glass	2011	0-120[2]	Bank transfer	11,337	9.6
3 . . .	Shenzhen Guobo Technology Co., Ltd.* (深圳國玻科技有限公司)	A private company mainly engaging in the manufacture and sale of glass products	Coated glass, insulating glass, laminated glass, tempered glass and smart glass	2017	15-260[2]	Bank transfer	10,002	8.5
4 . . .	Guangdong Golden Glass Technologies Ltd.* ("**Guangdong Golden Glass**") (廣東金剛玻璃科技股份有限公司)	A company listed on the Shenzhen Stock Exchange mainly engaging in the development, manufacture and sale of specialty glass products (特種玻璃製品)	Coated glass and tempered glass	2012	0-17[2]	Bank transfer	6,324	5.4
5 . . .	(i) Shenzhen Zhentian Optical Glass Co., Ltd.* (深圳市振添光學玻璃有限公司) (ii) Customer A[1]	A private company mainly engaging in the manufacture and sale of optical glass products	Coated glass, tempered glass and smart glass	(i) 2016 (ii) 2016	0-101[2]	Bank transfer	4,975	4.2

Notes:

(1) These two companies are operated under the same controlling shareholder.

(2) Due to the lack of a fixed credit term, the actual credit term of each sale to our customers varied, so the actual credit term for each of our top five customers is represented by a range of days.

The table below sets forth the details of our five largest customers for the year ended 31 December 2018:

Rank	Customers	Company background	Products sold to the customer	Year of commencement of business relationship	Actual credit terms	Payment method	Revenue from the customer for the year ended 31 December 2018	Percentage of our total revenue for the year ended 31 December 2018
					days		*RMB'000*	*%*
1 . . .	Jiangsu Xiangquan Automation Equipment Co.,Ltd.* (江蘇祥全自動化設備有限公司)	A private company mainly engaging in the manufacture and sale of automation equipment	Smart glass	2014	30-242[(1)]	Bank transfer	13,939	9.2
2 . . .	Hongze Hetai Investment Co.,Ltd.* (洪澤和泰投資有限公司)	A private investment and trading company mainly engaging in the sale of glass products, equipment and architectural materials	Coated glass and smart glass	2016	0-91[(1)]	Bank transfer	8,857	5.8
3 . . .	Shenzhen Evawe Industry Co., Ltd.* (深圳市越華暉實業有限公司)	A private company mainly engaging in the manufacture and sale of liquid crystal display	Coated glass and laminated glass	2016	65-164[(1)]	Bank transfer	8,515	5.6
4 . . .	Shenzhen Pengbo Construction Glass Co., Ltd.* (深圳市鵬玻工程玻璃有限公司)	A private company mainly engaging in the manufacture and sale of glass products	Insulating glass	2018	10-67[(1)]	Bank transfer	7,382	4.8
5 . . .	Shenzhen Zhentian Optical Glass Co., Ltd.* (深圳市振添光學玻璃有限公司)	A private company mainly engaging in the manufacture and sale of optical glass products	Coated glass and insulating glass	2016	2-151[(1)]	Bank transfer	7,332	4.8

Note:

(1) Due to the lack of a fixed credit term, the actual credit term of each sale to our customers varied, so the actual credit term for each of our top five customers is represented by a range of days.

The table below sets forth the details of our five largest customers for the six months ended 30 June 2019:

Rank	Customers	Company background	Products sold to the customer	Year of commencement of business relationship	Actual credit terms	Payment method	Revenue from customer for the six months ended 30 June 2019	Percentage of our total revenue for the six months ended 30 June 2019
					days		*RMB'000*	%
1 . . .	Huachuan Construction Group Co., Ltd. * (華川建設集團有限公司)	A private company mainly engaging in the various kinds of construction projects	Laminated glass, insulating glass and tempered glass	2019	0-66[1]	Bank transfer	17,337	17.5
2 . . .	Hunan Zhongya Optoelectronics Co., Ltd. * (湖南省中亞光電科技有限公司)	A private company mainly engaging in the manufacture and sale of optical glass products	Coated glass and smart glass	2018	Prepayment of full price before delivery	Bank transfer	8,759	8.8
3 . . .	Guangzhou Haiquan Decoration Design Co., Ltd. * (廣州海泉裝飾設計有限公司)	A private company mainly engaging in the interior decoration and design services	Laminated glass	2018	0-44[1]	Bank transfer	4,506	4.5
4 . . .	Shenzhen Zhentian Optical Glass Co., Ltd.* (深圳市振添光學玻璃有限公司)	A private company mainly engaging in the manufacture and sale of optical glass products	Coated glass and insulating glass	2016	0-44[1]	Bank transfer	3,993	4.0
5 . . .	Jiangsu Xiangquan Automation Equipment Co.,Ltd.* (江蘇祥全自動化設備有限公司)	A private company mainly engaging in the manufacture and sale of automation equipment	Smart glass	2014	Prepayment of full price before delivery	Bank transfer	3,467	3.5

Note:

(1) Due to the lack of a fixed credit term, the actual credit term of each sale to our customers varied, so the actual credit term for each of our top five customers is represented by a range of days.

Overlap of Major Customer and Supplier

During the Track Record Period, Guangdong Golden Glass purchased coated glass, insulating glass and tempered glass from us. Guangdong Golden Glass and its subsidiary, Wujiang Golden Glass, sold fireproof glass, which was a raw material for our architectural glass products, to us. Sales to Guangdong Golden Glass accounted for 5.4% and 3.1% of our revenue for the years ended 31 December 2017 and 2018, respectively, and our purchases from Guangdong Golden Glass and Wujiang Golden Glass accounted for 2.4% and 6.6% of our total production costs for the same years, respectively. Our gross profit generated by Guangdong Golden Glass was RMB2.3 million and RMB1.5 million for the years ended 31 December 2017 and 2018, respectively. We made this arrangement mainly because: (i) Guangdong Golden Glass is a listed company on the Shenzhen Stock Exchange specializing in the production of fireproof glass; and (ii) Guangdong Golden Glass is located close to our Xianqiao Plant, and therefore we may collect our purchases at low risks and costs and Guangdong Golden Glass may collect their purchases at their own risks and costs. We have maintained a business relationship with Guangdong Golden Glass since 2012. Our Directors confirm that the terms of sale to and purchase from Guangdong Golden Glass were negotiated on an arm's length basis and on normal commercial terms. We did not negotiate the terms of sales and purchase contracts with Guangdong Golden Glass at the same time and our sales to and purchases from Guangdong Golden Glass were not related to or inter-conditional with each other. Our Directors further confirm that Guangdong Golden Glass is an Independent Third Party during the Track Record Period. Apart from Guangdong Golden Glass, none of our other customers provided us with raw materials during the Track Record Period.

SALES AND MARKETING

Overview

During the Track Record Period, our products were sold to our customers in China as end-users. During the Track Record Period, we also sold our products to one trading company located in Jiangsu Province, who in turn sold our products to end-users. We selected our customers based on two criteria: (i) our customers' scale of operation; and (ii) our customers' credit worthiness and adequacy of financial resources. As of 30 June 2019, our sales and marketing department consisted of four employees, who are led by Mr. Zheng Xubin, our chief sales and marketing officer. Our sales and marketing department is responsible for maintaining customer relationships, negotiating sales terms, providing customer service, managing product orders and conducting business development.

For the years ended 31 December 2017 and 2018 and the six months ended 30 June 2019, revenue generated by our customers as end-users accounted for 97.8%, 94.2% and 98.9% of our revenue, respectively, while revenue generated by sales to the trading company accounted for 2.2%, 5.8% and 1.1% of our revenue, respectively.

Our customers as end-users

During the Track Record Period, we marketed and sold our products to our customers in China. Although some of our customers are glass manufacturers, they process our products into their own glass products which will be used as construction materials. As a result, they are included as our end-users in the construction material industry. Customers may negotiate with us before placing orders. Once orders are placed, we purchase raw materials and commence production in accordance with the requirements and specifications of our customers.

Trading company

During the Track Record Period, we sold our products to one trading company, namely Hongze Hetai Investment Co, Ltd.* (洪澤和泰投資有限公司), which is located in Jiangsu Province. We have established business relationship with the trading company since May 2016. The trading company is a private investment and trading company mainly engaging in the sale of glass products, equipment and architectural materials. Products are purchased by the trading company from us and then sold directly to their own customers, which are primarily PRC-based real estate developers. Those PRC-based real estate developers did not purchase directly from us because they established a business relationship with the trading company instead of us. The trading company may negotiate with us before placing orders. Once orders are placed, we purchase raw materials and commence production in accordance with the requirements and specifications of the trading company. We did not grant any exclusive rights to the trading company or set any annual sales target for the trading company. As of the Latest Practicable Date, we did not plan to increase the proportion of sales to the trading company going forward.

Sales Terms

During the Track Record Period, we generally entered into the same standard sales contracts with our customers including end-users and the trading company on an order-by-order basis. Our sales contracts typically set forth the product type, purchase volume, sales price, payment terms, quality standards and delivery arrangement. During the Track Record Period, we did not enter into any long-term or framework sales contracts with our customers.

The key terms in our standard sales contracts to our end-users are summarized below:

- *Contract value*. Contract value is determined by the unit price and total volume of products sold.
- *Payment methods*. We generally require a payment by bank transfer.
- *Delivery*. Our customers generally collect the finished products from our plant. We do not bear any costs or other liabilities in relation to transportation.

On 27 May 2019, we entered into a new sales contract with the trading company, namely Hongze Hetai Investment Co, Ltd.. Our contract with the trading company contains the following principal terms:

- *Duration.* Effective from 27 May 2019 to 26 May 2020.
- *Contract value*. Details such as the unit price, total volume of products and types of products are set out in the purchase order.
- *Return of products*. We do not accept returns of products unless our products have quality defects.

- *Credit term*. We normally grant a two-month credit term to our customers.
- *Settlement*. By bank transfer.
- *Inventory.* We may require our customers to provide their inventory levels.
- *Use of our trade names*. We do not allow our customers to change or remove our trade names and other information on the label.
- *Confidentiality.* Both parties undertake not to disclose any confidential information to any third party.
- *Termination.* The contract may be terminated by written contract signed by both parties or by either party in the event of material breach by the other party.

The contracts generally do not provide for exclusivity, minimum purchase commitments, sales targets, any rebate and incentive scheme, competition related restrictions, designated distribution area, suggested retail price or targeted inventory levels.

Pricing

Prices for our architectural glass products are primarily a result of negotiations with our customers, taking into consideration factors such as prevailing market conditions, product specifications, supply and demand of comparable products, the size of the purchase orders and our production costs.

Credit Policy

During the Track Record Period and up to May 2019, we did not include credit term or stipulate credit period in our sales contracts, but in practice, we typically demanded our trade receivables in three months on the basis of individual credit assessments. In determining the period that we demand our trade receivables, we take into consideration factors such as the duration of our business relationship, the customer's business scale, financial situation, credit history and contract value. Since May 2019, we have set out credit period of two months in our sales contracts with all our customers. Our customers generally settle payment through bank transfers or bank's acceptance bills.

Product Returns and Warranty

According to our sales contracts, we do not accept returns of our products once sold unless there are quality defects. Requests for product returns are handled by our sales and marketing department, which will follow up with our customers regarding return arrangements after our quality control department confirms the existence of any quality defects. According to the Product Quality Law of the PRC (《中華人民共和國產品質量法》), we shall be liable for product quality. We did not provide any product warranty during the Track Record Period. During the Track Record Period, we did not experience any product returns from our customers.

Marketing

During the Track Record Period, we marketed our products primarily by reaching out to existing and potential customers. Such approaches enable us to maintain business relationships, understand customer's needs and expectations and explore new business opportunities. To promote our architectural glass products and increase our market exposure, we also attended the Window Door Facade Expo China (全國鋁門窗幕牆新產品博覽會) in 2015, 2016 and 2017. Furthermore, we joined industry associations such as the Guangdong Glass Association (廣東省玻璃行業協會), the Guangdong Vacuum Industry Technology Innovation Alliance* (廣東省真空產業技術創新聯盟) and CAIGA. These associations and alliances organize industry-wide conferences from time to time. We believe that joining these industry associations enhances our brand reputation and provides us with different channels for reaching out to potential customers.

RAW MATERIALS AND SUPPLIERS

Purchase of Raw Materials

During the Track Record Period, our raw materials mainly included float glass, fireproof glass and coated glass. In addition, we purchased auxiliary materials such as aluminum spacers, PVB interlayers, PDLC interlayers and sealants. We purchase all of our raw materials from suppliers located in China.

Our procurement team is responsible for purchasing and managing our inventory of raw materials. The amount and type of raw materials we purchase primarily depend on : (i) the orders we receive from our customers, including their requirements and specifications; and (ii) our inventory turnover days. We maintain a list of qualified suppliers to secure a stable supply of our principal raw materials. Our auxiliary materials are generally widely and readily available in the open market from a large number of suppliers. During the Track Record Period, we did not experience any major shortage in our inventory of raw materials.

We generally enter into procurement contracts with our suppliers on an order-by-order basis. Our procurement contracts typically set forth the types of raw materials, purchase volume, purchase price, payment terms and delivery logistics. During the Track Record Period, we did not enter into any long-term or framework procurement contract with our suppliers. The key terms included in most of our procurement contracts are summarized as follows:

- *Pricing.* Our raw material costs are determined by the unit price and total amount of raw materials purchased. The unit price is agreed upon negotiation with our suppliers and/or by reference to a market price.

- *Payment terms.* Payments for our raw materials are generally made prior to delivery.

- *Delivery.* We generally arrange to collect raw materials ourselves from our suppliers' plants. In which case, we bear any delivery costs incurred or damages arising from such delivery. Our suppliers occasionally deliver raw materials to us.

- *Inspection*. At times when our suppliers deliver raw materials to us, we inspect the quality and volume of raw materials upon delivery, which must meet our specifications before they are accepted. At times when we collect our raw materials, we inspect the quality and volume of raw materials before our collection. Raw materials that fail to meet our specifications will be exchanged by the suppliers.

We manage our exposure to the risk of increase in raw material costs by passing such costs to our customers to the extent possible. During the Track Record Period, we did not experience material price fluctuations in our supply of raw materials. We do not engage in any hedging transactions to protect us from price fluctuations in raw materials. For the sensitivity analysis in relation to changes in our raw material costs, see "Financial Information — Management's Discussion and Analysis of Financial Condition and Results of Operations — Key Factors Affecting Our Results of Operations — Price and supply of raw materials — Sensitivity analysis" in this Prospectus.

Suppliers

We select suppliers in accordance with our supplier evaluation procedures. Before entering into procurement contracts with potential suppliers, our inventory management and quality control departments will conduct background research on the potential suppliers and verify the validity of their relevant operating permits and qualifications. The overall purpose is to ensure that their products meet our quality and safety requirements. We may also inspect product samples provided by those potential suppliers in accordance with our internal policies. Our sales and marketing department also re-evaluates our suppliers annually based on factors such as quality, price and ability to make timely delivery.

We are generally required to pay in advance for our raw materials. We generally settle our procurement cost by bank transfers or bank's acceptance bills. Since January 2019, some of our suppliers granted one-month credit period in the new procurement contracts we entered into.

For the years ended 31 December 2017 and 2018 and the six months ended 30 June 2019, purchases from our five largest suppliers amounted to RMB56.8 million, RMB90.6 million and RMB64.4 million, respectively, accounting for 61.8%, 67.5% and 79.1% of our total production costs, respectively. For the years ended 31 December 2017 and 2018 and the six months ended 30 June 2019, purchases from our largest supplier amounted to RMB18.2 million, RMB30.6 million and RMB31.4 million, respectively, accounting for 19.8%, 22.8% and 38.6% of our total production costs, respectively.

Our five largest suppliers during the Track Record Period were mainly suppliers of float glass, fireproof glass and coated glass. We have business relationships with them ranging from one to seven years. To the best knowledge of our Directors, none of our Directors, their close associates or our Shareholders who hold more than 5% of our issued share capital had any interest in these five largest suppliers. During the Track Record Period, we did not experience any material disputes with our suppliers.

The table below sets forth the details of our five largest suppliers for the year ended 31 December 2017:

Rank	Suppliers	Company background	Products sold to the Company	Year of commencement of business relationship	Credit terms	Payment method	Purchase from suppliers for the year ended 31 December 2017	Percentage of our total purchase from suppliers to our total production costs for the year ended 31 December 2017
							RMB'000	*%*
1 . . .	Haisheng Glass Co., Ltd.* (沙河市海生玻璃有限公司)	A private company mainly engaging in the manufacture and sale of float glass and Low-E glass	Float glass and coated glass	2016	No	Bank transfer	18,232	19.8
2 . . .	(i) Zhangzhou Kibing Glass Co., Ltd.* (漳州旗濱玻璃有限公司) (ii) Heyuan Kibing Silicon Industry Co., Ltd.* (河源旗濱硅業有限公司) (iii) Zhuzhou Liling Kibing Glass Co., Ltd.* (株洲醴陵旗濱玻璃有限公司)(1)	A group of companies included in a group which is listed on the Shanghai Stock Exchange and mainly engaging in the manufacture and sale of glass products and building materials	Float glass and coated glass	(i) 2012 (ii) 2017 (iii) 2012	(i) No (ii) No (iii) No	(i) Bank transfer (ii) Cash (iii) Cash	12,808	13.9
3 . . .	Nanning Float Glass Co., Ltd.* (南甯浮法玻璃有限責任公司)	A private company mainly engaging in the manufacture and sale of float glass and other glass products	Float glass	2016	No	Bank transfer	12,253	13.3
4 . . .	Jiangsu Yutian Gangbo New Material Co., Ltd.* (江蘇宇天港玻新材料有限公司)	A company, whose holding company is listed on GEM, mainly engaging in the manufacture and sale of glass products, coated glass processing equipment and touch panels	Coated glass	2012	No	Bank transfer or bank's acceptance bills	7,076	7.7
5 . . .	Jieyang Tebo New Material Co., Ltd.* (揭陽市特玻新材料有限公司)	A private company mainly engaging in the manufacture and sale of coated glass and photovoltaic glass	Float glass, coated glass and fireproof glass	2015	No	Bank transfer	6,454	7.0

Note:

(1) These companies are subsidiaries of a listed group.

The table below sets forth the details of our five largest suppliers for the year ended 31 December 2018:

Rank	Suppliers	Company background	Products sold to the Company	Year of commencement of business relationship	Credit terms	Payment method	Purchase from suppliers for the year ended 31 December 2018	Percentage of our total purchase from suppliers to our total production costs for the year ended 31 December 2018
							RMB'000	%
1 . . .	Hubei Sanxia New Building Material Co., Ltd.* (湖北三峽新型建材股份有限公司)	A company listed on the Shanghai Stock Exchange mainly engaging in the manufacture and sale of glass products and building materials	Float glass	2017	No	Bank transfer	30,581	22.8
2 . . .	Jiangsu Yutian Gangbo New Material Co., Ltd.* (江蘇宇天港玻新材料有限公司)	A company, whose holding company is listed on GEM, mainly engaging in the manufacture and sale of glass products, coated glass processing equipment and touch panels	Coated glass	2012	No	Bank transfer or bank's acceptance bills	20,103	15.0
3 . . .	(i) Zhangzhou Kibing Glass Co., Ltd.* (漳州旗濱玻璃有限公司) (ii) Heyuan Kibing Silicon Industry Co., Ltd.* (河源旗濱硅業有限公司) (iii) Zhuzhou Liling Kibing Glass Co., Ltd.* (株洲醴陵旗濱玻璃有限公司) (iv) Pinghu Kibing Glass Co., Ltd.* (平湖旗濱玻璃有限公司)[(1)]	A group of companies included in a group which is listed on the Shanghai Stock Exchange and mainly engaging in the manufacture and sale of glass products and building materials	Float glass and coated glass	(i) 2012 (ii) 2017 (iii) 2012 (iv) 2018	(i) No (ii) No (iii) No (iv) No	(i) Bank transfer (ii) Cash (iii) Bank transfer (iv) Bank transfer	16,530	12.3

Rank	Suppliers	Company background	Products sold to the Company	Year of commencement of business relationship	Credit terms	Payment method	Purchase from suppliers for the year ended 31 December 2018	Percentage of our total purchase from suppliers to our total production costs for the year ended 31 December 2018
							RMB'000	*%*
4 . . .	Huaian Jintai New Energy Co., Ltd.* (淮安金泰新能源有限公司)	A private company mainly engaging in the manufacture and sale of glass products	Coated glass	2015	No	Bank transfer	14,575	10.9
5 . . .	(i) Guangdong Golden Glass* (廣東金剛 玻璃科技股份有限公司) (ii) Wujiang Golden Glass Technology Co., Ltd.* ("**Wujiang Golden Glass**") (吳江金剛玻璃科技有限公司)(2)	A company listed on the Shenzhen Stock Exchange mainly engaging in the development, manufacture and sale of specialty glass products and its subsidiary company mainly engaging in the glass production	Fireproof glass	(i) 2012 (ii) 2018	(i) No (ii) 0-10 days	(i) Bank's acceptance bills (ii) Bank transfer	8,820	6.6

Notes:

(1) These companies are subsidiaries of a listed group.

(2) Wujiang Golden Glass is a subsidiary of Guangdong Golden Glass.

The table below sets forth the details of our five largest suppliers for the six months ended 30 June 2019:

Rank	Suppliers	Company background	Products sold to the Company	Year of commencement of business relationship	Credit terms	Payment method	Purchase from suppliers for the six months ended 30 June 2019	Percentage of our total purchase from suppliers to our total production costs for the six months ended 30 June 2019
							RMB'000	%
1	Hubei Sanxia New Building Material Co., Ltd.* (湖北三峽新型建材股份有限公司)	A company listed on the Shanghai Stock Exchange mainly engaging in the manufacture and sale of glass products and building materials	Float glass	2017	No	Bank transfer	31,440	38.6
2	(i) Haisheng Glass Co., Ltd.* (沙河市海生玻璃有限公司) (ii) Malong Haishengrun New Material Co., Ltd.* (馬龍海生潤新材料有限公司)(1)	A private company mainly engaging in the manufacture and sale of float glass and Low-E glass and its subsidiary company mainly engaging in the manufacture, sale and installation of glass products	(i) Float glass (ii) Float glass	(i) 2016 (ii) 2019	(i) one month (ii) No	(i) Bank transfer (ii) Bank transfer	11,958	14.7
3	(i) Zhangzhou Kibing Glass Co., Ltd.* (漳州旗濱玻璃有限公司) (ii) Heyuan Kibing Silicon Industry Co., Ltd.* (河源旗濱硅業有限公司) (iii) Zhuzhou Liling Kibing Glass Co., Ltd.* (株洲醴陵旗濱玻璃有限公司)(2)	A group of companies included in a group which is listed on the Shanghai Stock Exchange and mainly engaging in the manufacture and sale of glass products and building materials	Float glass and coated glass	(i) 2012 (ii) 2017 (iii) 2012	(i) No (ii) No (iii) No	(i) Bank transfer (ii) Cash (iii) Bank transfer	11,097	13.6
4	Nanning Float Glass Co., Ltd.* (南寧浮法玻璃有限責任公司)	A private company mainly engaging in the manufacture and sale of float glass and other glass products	Float glass	2016	No	Bank transfer	5,918	7.3
5	Jiangsu Yutian Gangbo New Material Co., Ltd.* (江蘇宇天港玻新材料有限公司)	A company, whose holding company is listed on GEM, mainly engaging in the manufacture and sale of glass products, coated glass processing equipment and touch panels	Coated glass	2012	No	Bank transfer	4,013	4.9

Notes:

(1) Malong Haishengrun New Material Co., Ltd. is a subsidiary of Haisheng Glass Co., Ltd.

(2) These companies are subsidiaries of a listed group.

QUALITY CONTROL

We have in place a stringent quality control system for all stages of our production processes, from raw material supply to the inspection of finished products. We have obtained the China Compulsory Product Certification for the architectural glass products we sold. For more information, see "— Legal and Regulatory Matters — Certificates, Licenses and Permits." The China Compulsory Product Certification is a compulsory safety and quality certification for many products imported, sold or used in China. In 2005, we first obtained the ISO9001 certification for our quality management system, demonstrating that our quality control system meets the international standards of quality assurance. The latest ISO9001 certification will expire on 30 June 2020. As of 30 June 2019, we had four personnel in our quality control department, who are led by Mr. Lin Gai. All of our personnel in quality control department had prior training in quality inspection and control.

We set forth below our primary quality control measures:

- *Inspection of raw materials.* We have a set of procedures for selecting and monitoring our suppliers to ensure that the raw materials we use are of high quality. We only select suppliers who can satisfy our quality and safety requirements. For more information on our selection process, see "— Raw Materials and Suppliers — Suppliers." Our quality control personnel thoroughly inspect raw materials before acceptance and will return these raw materials if they do not meet our quality and safety requirements. If we discover raw materials that do not meet such requirements during production, or after acceptance but before production, such raw materials are returned in accordance with our internal policies. After identifying any quality issues with any raw materials, we will request the suppliers of those raw materials to take remedial action. We will cease purchasing from such suppliers if the quality issues persist or remain unresolved. There were no such incidents during the Track Record Period.

- *Control of the production process.* We follow our standardized production procedures to ensure consistent product quality. Our quality control personnel consistently monitor the production process. Any substandard products identified may either be immediately disposed of or reverted to a previous production stage for rectification as appropriate.

- *Inspection of finished products.* Our production personnel generally undertake a set of routine inspections of finished products, including checking product appearance and their compliance with customer requirements and specifications. Our quality control personnel also conduct sample testing of finished products to ensure that our products consistently meet the relevant national standards.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material customer complaints, claims, or product recalls due to quality control issues.

INVENTORY

Our inventories consist of raw materials and finished products. We store our inventories in our storage facilities located at our Xianqiao Plant. Our procurement strategy is to frequently purchase raw materials based on: (i) the types and amount of products ordered; and (ii) our inventory turnover days. We monitor our inventories levels on a monthly basis and perform stocktakes regularly. Once our monthly inventory turnover days exceed certain days according to our inventory management policy, we will reduce our inventories. Our finished products are usually delivered to our customers when requested by our customers. As of 31 December 2017 and 2018 and the six months ended 30 June 2019, our inventories amounted to RMB30.8 million, RMB60.0 million and RMB74.5 million, respectively. Our raw materials and finished products are inspected and recorded before being classified as inventories.

COMPETITION

According to HCR, the architectural glass market in China is highly competitive. Factors principally affecting our competitiveness include product quality, technical capabilities, production capacity, price of raw materials, pricing, payment terms and brand reputation. The entry barriers to the architectural glass industry include possession of technical capabilities and access to capital and experienced personnel. We face competition from different domestic architectural glass manufacturers in the domestic market.

We compete primarily on the basis of:

- technical innovation and competitive price;
- production capacity and operational efficiency;
- research and development resources;
- quality of our products; and
- our brand reputation and experienced management team.

Further information on the competitive landscape of the architectural glass industry is set out in "Industry Overview" in this Prospectus.

AWARDS AND DISTINCTIONS

As of 30 June 2019, we received the following major awards and distinctions:

Year of grant	Awards or distinctions	Issuing institutions/authorities
2014	High and New Technology Enterprise (高新技術企業)	Guangdong Science and Technology Department* (廣東省科學技術廳), Guangdong Finance Department* (廣東省財政廳), Guangdong Office of SAT* (廣東省國家稅務局) and Guangdong Local Taxation Bureau* (廣東省地方稅務局)
2014	Jieyang Enterprise Technology Center (揭陽市級企業技術中心)	Jieyang Economic and Information Bureau* (揭陽市經濟和信息化局)
2015	Guangdong Energy-efficient and Environmentally Friendly Glass Engineering Technology Research Center (廣東省節能與環保玻璃工程技術研究中心)	Guangdong Science and Technology Department* (廣東省科學技術廳)
2015	Winning Prize of the Fourth China Innovation & Entrepreneurship Competition (Guangdong division) (第四屆中國創新創業大賽(廣東賽區)優勝獎)	Guangdong Science and Technology Department* (廣東省科學技術廳)
2017	High and New Technology Enterprise (高新技術企業)	Guangdong Science and Technology Department* (廣東省科學技術廳), Guangdong Finance Department* (廣東省財政廳), Guangdong Office of SAT* (廣東省國家稅務局) and Guangdong Local Taxation Bureau* (廣東省地方稅務局)
2017	Guangdong Private Enterprise Innovation Industrialization Model Base (廣東省民營企業創新產業化示範基地)	Committee of Economy and Information Technology of Guangdong (廣東省經濟和信息化委員會), currently known as Department of Industry and Information Technology of Guangdong (廣東省工業和信息化廳)
2018	Small- and Medium-Sized Enterprise in Guangdong with High Growth (廣東省高成長中小企業)	Committee of Economy and Information Technology of Guangdong (廣東省經濟和信息化委員會), currently known as Department of Industry and Information Technology of Guangdong (廣東省工業和信息化廳)
2018	National Intellectual Property Competitive Enterprise (國家知識產權優勢企業)	National Intellectual Property Administration, PRC (國家知識產權局)

INTELLECTUAL PROPERTY

We believe that intellectual property rights are critical to our success. As of the Latest Practicable Date, we had registered five invention patents, 15 utility model patents and three trademarks in China, as well as two trademarks in Hong Kong. We had also registered 16 domain names, two of which we consider to be material to the business of our Group, including our primary website, hongguang.hk. As of the Latest Practicable Date, we also had 14 pending invention patent applications and four pending utility model patent applications in China. For more information about our registered intellectual property and intellectual property applications, see "Appendix IV — Statutory and General Information — 2. Further Information about Our Business — B. Our Intellectual Property Rights."

During the Track Record Period and up to the Latest Practicable Date, we were not involved in any threatened or pending disputes or legal proceedings regarding intellectual property that may have a material and adverse effect on our business.

EMPLOYEES

We believe that our long-term growth depends on the expertise, experience and development of our employees. Our administrative department is responsible for managing, training and hiring employees. We recruit employees primarily through career fairs and recruitment websites. During the Track Record Period, we paid RMB5,000 to a recruitment website for a period from September 2017 to September 2020 and we were responsible for the relevant costs of social insurance and housing provident funds for the employees introduced by such recruitment website. We provide employee development programs that include introductory training for new hires and continuing safety and technical training for our production personnel.

As of the Latest Practicable Date, we had 73 employees, all of whom were located in China. The following table sets out the number and breakdown of our full-time employees by function as of the Latest Practicable Date:

	Number of employees
Management	6
Administrative	2
Finance	5
Sales and marketing	4
Procurement and inventory	1
Production	45
Quality control	4
Research and development	6
Total	**73**

The salaries of our employees depend primarily on the nature of their work, their terms of service and local market conditions. We are required to contribute to various employee benefit funds in relation to the employees of our PRC operating subsidiary, including pensions, housing provident funds and medical, unemployment, maternity and workplace injury insurance in accordance with applicable PRC laws and regulations. During the Track Record Period and up to May 2019, we failed to fully comply with such laws and regulations. Since May 2019, we have complied with such laws and regulations. For details, please see "— Legal and Regulatory Matters — Compliance."

We have a labor union that protects our employees' rights, assists us in attaining our economic objectives and encourages employees to participate in management decisions. During the Track Record Period, we did not experience any material labor disputes or strikes which may have a material and adverse effect on our business, financial condition or results of operations.

PROPERTY

Lands and Buildings in Dongshan

As of the Latest Practicable Date, we had two buildings occupying 2,217.9 m^2 of land with a total gross floor area of 1,594.7 m^2 in Dongshan ("**lands and buildings in Dongshan**"). The lands and buildings in Dongshan were registered solely under the name of Hongguang Glass. However, as advised by our PRC Legal Advisers, we are not entitled to occupy and use the lands and buildings in Dongshan due to the following historical reasons.

Historical background of lands and buildings in Dongshan

Hongguang Glass was established in the PRC on 10 April 1992 by: (i) Hongguang Mirror by way of providing land, facilities and equipment for the business operations; and (ii) Honest Manufacturing by way of HK$4,000,000 in cash. Hongguang Glass was established as a Sino-foreign cooperative joint venture and each of the shareholders held Hongguang Glass in equal shares. At the time of the establishment of Hongguang Glass, Hongguang Mirror provided the lands and buildings in Dongshan to Hongguang Glass as conditions of cooperation, by which the lands and buildings in Dongshan were registered solely under the name of Hongguang Glass. In November 2012, Hongguang Mirror and Honest Manufacturing mutually agreed to terminate the Sino-foreign cooperative joint venture. In November 2012, Hongguang Mirror decided to exit its investment including the land, facilities and equipment it provided at the time of establishment of Hongguang Glass. However, Hongguang Mirror did not proceed the process of registration of modification of state-owned land use right certificates and building ownership certificates (土地和房產權屬變更登記) in time. For more information, see "History, Reorganization and Group Structure — Our Group Structure and Corporate History." As a result, although the lands and buildings in Dongshan were registered solely under the name of Hongguang Glass, we are not entitled to occupy and use these lands and buildings. Moreover, in July 2012, we have moved all of our factories to Xianqiao and no longer occupied the lands and buildings in Dongshan.

Remedial actions

In order to solve the abovementioned ownership issue, our Group and Hongguang Mirror have undertaken or plan to undertake the following remedial actions:

(i) Hongguang Mirror has commenced the "Three Olds Redevelopment" (三舊改造) process led by the Three Olds Redevelopment and Construction Leading Group Office of Rongcheng, Jieyang (揭陽市榕城區"三舊"改造建設領導小組辦公室) ("**TORCLGO**"). "Three Olds" refers to old towns, old factory sites and old villages. "Three Olds Redevelopment" was an experiential and innovative urban regeneration strategy especially applied in Guangdong aiming to increase land use efficiency. The "Three Olds Redevelopment" process can be divided into three stages: (a) application for entering land images and current use images into a database of the TORCLGO (標圖建庫), (b) submission of redevelopment plan to the TORCLGO (申報改造方案), and (c) entering into "Three Olds Redevelopment" implementation supervision agreement with the TORCLGO (簽訂"三舊"專案實施監管協定). Hongguang Mirror and Hongguang Glass have applied for and completed the first stage of the "Three Olds Redevelopment" in respect of the lands and buildings in Dongshan, whereby Hongguang Mirror becomes eligible to be part of the "Three Olds Redevelopment" led by TORCLGO. As confirmed by Jieyang Municipal Bureau of Land and Resources (揭陽市國土資源局) ("**JMBLR**"), which, as confirmed by our PRC Legal Advisers, is the competent government authority, the other two stages of the "Three Olds Redevelopment" to be initiated by TORCLGO are expected to be completed in around June 2021 and following the completion of the "Three Olds Redevelopment," the ownership issue of the lands and buildings in Dongshan will be solved.

(ii) We have obtained confirmations from competent government authorities in the PRC, shareholders of Hongguang Mirror and Ms. Lin as follows:

   (a) TORCLGO issued a confirmation letter on 20 June 2018 which provides that the lands and buildings in Dongshan have entered into the "Three Olds Redevelopment" process.

   (b) JMBLR also issued a confirmation letter on 22 June 2018 which provides that, among other things, after the completion of the "Three Olds Redevelopment," the state-owned land use right and building ownership certificates are expected to be transferred to Hongguang Mirror and registered solely under the name of Hongguang Mirror, rather than our Group, in around June 2021. JMBLR confirmed that there will be no material legal impediment for Hongguang Mirror to obtain the state-owned land use right and building ownership certificates.

   (c) Mr. Wei, Ms. Lin and Ms. Liu issued a confirmation letter on 13 July 2018 which provides that during the "Three Olds Redevelopment" process they will jointly bear any expenses including tax expenses caused by the registration of modification of state-owned land use right certificates and building ownership certificates (土地和房產權屬變更登記) of the lands and buildings in Dangshan.

(d) Mr. Wei, Ms. Lin and Ms. Liu issued a supplementary confirmation letter on 9 May 2019 which provides that from the date of the supplementary confirmation letter to the date of the completion of the "Three Olds Redevelopment" and the date that the state-owned land use right and building ownership certificates are transferred to Hongguang Mirror and registered solely under the name of Hongguang Mirror, rather than our Group, they will jointly bear any expenses including but not limited to daily maintenance expenses, utilities, possible tax expenses and fines of the lands and buildings in Dongshan.

By taking the abovementioned remedial actions, our Directors are of the view that the ownership issue will be solved. Further, since we have moved to Xianqiao to operate, the remaining ownership issue would not affect our current and future operations. Therefore, during the Track Record Period, we did not record the value of our lands and buildings in Dongshan.

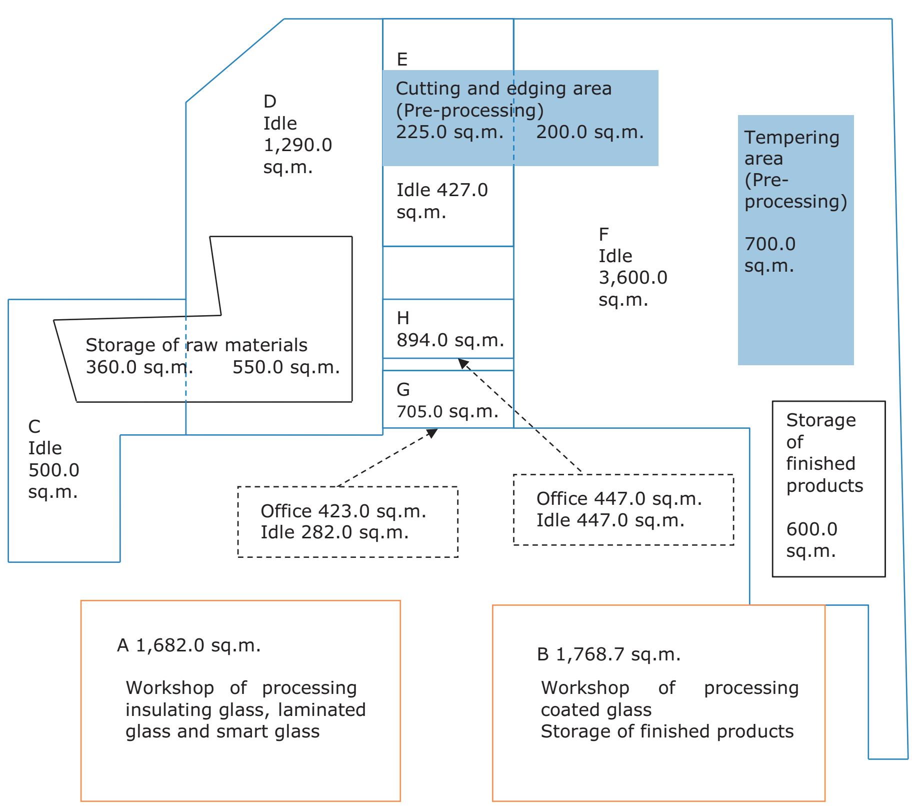
Lands and Buildings in Xianqiao

As of the Latest Practicable Date, Xianqiao Plant, comprising 11 buildings, occupied 25,937.6 m^2 of land with a total gross floor area of 21,424.5 m^2. The following table sets out: (i) the use of each building occupied by us; (ii) the approximate gross floor area of such buildings; (iii) the land on which such buildings are situated; (iv) status of our possession of land use right certificate (土地使用權證) for the piece of land on which each of such buildings is situated; and (v) status of our possession of building ownership certificate (房地產權證) for each of such buildings as of the Latest Practicable Date:

Building	Use	Gross floor area	Land on which the building is situated	Land use right certificate obtained?	Building ownership certificate obtained?
		sq.m.			
Building A	(i) processing	(i) 1,682.0	Land 1 (as defined below)	No	Yes
Building B	(i) processing (ii) storage of finished products	(i) 600.0 (ii) 1,168.7	Land 1	No	Yes
Building C	(i) storage of raw materials (ii) idle utility room	(i) 360.0 (ii) 500.0	Land 1	No	No
Building D	(i) storage of raw materials (ii) idle utility room	(i) 550.0 (ii) 1,290.0	Land 1	No	No
Building E	(i) pre-processing (ii) idle utility room	(i) 225.0 (ii) 427.0	Land 1	No	No
Building F	(i) pre-processing (ii) storage of finished products (iii) idle utility room	(i) 900.0 (ii) 600.0 (iii) 3,600.0	Land 1	No	No
Building G	(i) office (ii) idle utility room	(i) 423.0 (ii) 282.0	Land 1	No	No

Building	Use	Gross floor area	Land on which the building is situated	Land use right certificate obtained?	Building ownership certificate obtained?
		sq.m.			
Building H	(i) office	(i) 447.0	Land 1	No	No
	(ii) idle utility room	(ii) 447.0			
Building I	(i) business, office and dormitory (for rent)	(i) 636.5	Land 2 and Land 3 (as defined below)	No	Yes
	(ii) dormitory	(ii) 702.9			
Building J	(i) business, office and dormitory (for rent)	(i) 2,614.0	Land 2 and Land 3 (as defined below)	No	Yes
	(ii) empty	(ii)1,225.6			
Building K	(i) business, office and dormitory (for rent)	(i) 687.0	Land 4 (as defined below)	Yes	Yes
	(ii) dormitory	(ii) 2,056.6			

The following simplified map demonstrates the layout and use of Buildings A, B, C, D, E, F, G and H ("**Buildings A-H**") which are situated on Land 1 ("**Land 1**") as of the date hereof:



Owned properties

As of the Latest Practicable Date, our Group possessed state-owned land use right certificate (國有土地使用權證) for the land on which Building K is situated ("**Land 4**") and building ownership certificate of Building K.

Lands and buildings with title defects in the PRC

Our Group does not possess: (i) collective land use right certificate (集體土地使用權證) for Land 1; (ii) state-owned land use right certificates for the lands on which Buildings I and J are situated ("**Land 2 and Land 3**"); and (iii) building ownership certificate of Buildings C, D, E, F, G and H ("**Buildings C-H**"). The combined gross floor area of Buildings C-H and the combined actual used gross floor area of Buildings C-H account for 46.9%[1] and 16.4%[2] of the total gross floor area of the buildings occupied by us, respectively.

Jieyang Municipal Bureau of Land (揭陽市國土局) ("**JMBL**") (currently known as JMBLR), which, as confirmed by our PRC Legal Advisers, is the competent government authority, had approved the assignment of Land 2 and Land 3 pursuant to the Approval and Reply of the JMBL on the Complementary Procedures for the Land for Construction of Offices and Dormitory Buildings for Hongguang Glass dated 31 August 1998 (關於揭陽市宏光鍍膜玻璃有限公司建設辦公宿舍樓用地補辦手續的批覆) and the Official Approval and Reply of the JMBL on the Complementary Procedures for the Land for Construction of Warehouses for Hongguang Glass dated 26 August 1998 (關於揭陽市宏光鍍膜玻璃有限公司建設倉儲用地補辦手續的批覆) (collectively, the "**Approvals**"), respectively. On 6 January 2003, we entered into two contracts for assigning the right to use the state-owned land (國有土地使用權證出讓合同) with JMBLR (formerly known as JMBL), by which JMBLR agreed to assign Land 2 and Land 3 for 50 years from 31 August 1998 to 31 August 2048 to us at assignment fees of RMB860,200 and RMB1,086,800 for Land 2 and Land 3, respectively. Due to designated staff's unintended and inadvertent oversight of the relevant PRC laws and regulations, we did not apply for the state-owned land use right certificates in time. However, as advised by our PRC Legal Advisers, pursuant to such contracts, the Approvals and relevant government authorities' confirmation, we are allowed to lawfully occupy and use Land 2 and Land 3. On 26 August 1999, we obtained the relevant building ownership certificates for Buildings I and J, by which we are allowed to lawfully occupy and use Buildings I and J on Land 2 and Land 3. As such, our Directors consider that the lack of state-owned land use right certificates for Land 2 and Land 3 will not have any material adverse effect on our business or revenue.

Land 1 is collectively owned by peasants for construction purpose and is managed by Doumen Economic Union of Xianqiao, Rongcheng, Jieyang (揭陽市榕城區仙橋鎮斗門經濟聯合社) ("**Doumen Economic Union**"). According to the Land Administration Law of the PRC (《土地管理法》), the ownership of Land 1 is not allowed to transfer to any party. In 1994, Land Bureau of Rongcheng, Jieyang (揭陽市榕城區國土局) approved and allowed the use of Land 1 as construction land. On 1 January 1998,

1 The combined gross floor area of Buildings C-H ÷ the total gross floor area of the Buildings C-H=10,051.0÷21,424.5 x100%=46.9%

2 The combined actual used gross floor area of Buildings C-H ÷ the total gross floor area of the Buildings C-H=3,505.0÷21,424.5x100%=16.4%%

Hongguang Glass entered into a lease agreement with Doumen Economic Union to rent Land 1 for 55 years from 1 January 1998 to 30 December 2052, pursuant to which we are allowed to build factories and operate them on Land 1. On 26 August 1999, we obtained the building ownership certificates for Buildings A and B. As advised by our PRC Legal Advisers, pursuant to the abovementioned lease agreement, building ownership certificates and relevant government authorities' confirmation, we are allowed to lawfully occupy and use Buildings A and B on Land 1.

However, according to the Interim Regulation on Real Estate Registration of the PRC (《不動產登記暫行條例》) and the Detailed Rules for the Implementation of the Interim Regulation on Real Estate Registration of the PRC (《不動產登記暫行條例實施細則》) which came into effect in 2015 and 2016, respectively, the building ownership certificate of a building must be issued under the name of the person who holds the land use right certificate in respect of the land on which such building was built. As such, we were no longer allowed to apply for the building ownership certificates for Buildings C-H to be issued under our name as no land use right certificate in respect of Land 1 has ever been issued under our name. In other words, while we are the actual user and occupier of Buildings C-H, if we were to apply for the building ownership certificates of such buildings, they would be issued under the name of Doumen Economic Union, in which case we would theoretically become a lessee of such buildings in light of such building ownership certificates. In view of the abovementioned facts, we have therefore not applied for the building ownership certificates of Buildings C-H in the past.

Nevertheless, as confirmed by our PRC Legal Advisers, Urban Real Estate Administration Law of the PRC (《中華人民共和國城市房地產管理法》) and the Property Law of the PRC (《中華人民共和國物權法》) prevent buildings with title defects from being sold, or being accepted by banks as security for mortgages. In order to protect our lawful rights and interests in Buildings C-H and solve the issue of title defects during our preparation for the Listing, we have recently approached the competent government authority for solutions to this issue.

Remedial actions

Notwithstanding the abovementioned title defects in Buildings C-H, our Directors consider that Buildings C-H are not crucial to our operations and that their title defects due to historical reasons caused by the confusion of relevant rules and regulations will not affect our daily production and operations and will not have any material adverse effect on our business or revenue for the following reasons:

(i) Buildings C-H are used for storage of raw materials/finished products, pre-processing and office purposes. These uses are not part of our core production process which is processing.

(ii) Buildings C-H were built and are maintained under the relevant local rules and regulations. We have been using them for more than 15 years without the occurrence of any safety issue, and we have never received any administrative penalty, whether in respect of their title or safety condition, under the scrutiny of the relevant government authorities. More importantly, as confirmed by Shenzhen City Shirui Building Technology Co., Ltd* (深圳市實瑞建築技術有限公司) ("**Shirui Building Technology**"), the building consultant, Buildings C-H are in good safety condition and are in compliance with relevant legal and safety requirements in terms of building construction and normal usage. In view of the qualification of Shirui Building Technology, the Sole Sponsor concurs with our Directors and our PRC Legal Advisers that Shirui Building Technology is qualified and competent to confirm the safety of Buildings C-H. On 2 September 2019, the Fire Brigade of Rongcheng District, Public Security Fire Detachment of Jieyang (揭陽市公安消防支隊榕城區大隊) further confirmed that Hongguang Glass had fulfilled the safety requirements of Buildings C-H. Our Directors also confirm that Buildings C-H were built in compliance with construction safety requirements and used according to their purposes.

(iii) Even if we are asked to demolish Buildings C-H due to the lack of building ownership certificates during the "Three Olds Redevelopment" process, the chance of which we, as advised by our PRC Legal Advisers, believe is remote according to relevant government authorities' confirmation letters, we have identified suitable replacement premises and formulated a relocation plan to rearrange and relocate the workshops and facilities therein. See "— Contingent relocation plan" for details of the relocation plan.

(iv) Our Group has also undertaken or plans to undertake the following remedial actions to solve the title defects issue during our preparation for the Listing:

(a) We have commenced the "Three Olds Redevelopment" process led by TORCLGO. We have applied for and completed the first stage of the "Three Olds Redevelopment" in respect of Buildings A-H and the lands on which Buildings A-H are situated, whereby we have become eligible to be part of the "Three Olds Redevelopment" led by TORCLGO. Moreover, on 12 December 2018, TORCLGO confirmed that they have received our application to include us into the 2019 Annual Implementation Scheme (2019年度實施計劃), a pre-requisite step of the second stage. As confirmed by JMBLR, the other two stages of the "Three Olds Redevelopment" to be initiated by TORCLGO are expected to be completed in around June 2021 and following the completion of the "Three Olds Redevelopment," our lands' and buildings' title defects issue in respect of Land 1, Land 2 and Land 3, and Buildings C-H will be solved.

(b) We have conducted an interview with and obtained confirmations regarding solutions of title defects from competent government authorities in the PRC as follows:

(1) TORCLGO issued a confirmation letter on 20 June 2018 which provides that Land 1, Land 2 and Land 3, and Land 4 (including Buildings C-H) have entered into the "Three Olds Redevelopment" process.

(2) In the interview with JMBLR on 4 September 2018, JMBLR confirmed to us that they would not require us to demolish Buildings C-H even though we do not have any building ownership certificates of Buildings C-H.

(3) Jieyang Urban Planning Bureau (揭陽市城鄉規劃局) ("**JUPB**"), which, as confirmed by our PRC Legal Advisers, is the competent government authority, issued a confirmation letter on 13 July 2018 confirming, among other things, that during the "Three Olds Redevelopment" process we are allowed to continue occupying and using Buildings C-H, and JUPB will not require us to demolish Buildings C-H or impose any penalty on us for not possessing any building ownership certificates of Buildings C-H.

(4) JMBLR also issued a confirmation letter on 22 June 2018 which provides that, among other things, after the completion of the "Three Olds Redevelopment," Land 1 would be transformed into state-owned land for construction purposes and Land 1 would be assigned to Hongguang Glass by entering into a contract for assigning the right to use the state-owned land. As such, Hongguang Glass may obtain the state-owned land use right certificate of Land 1 where Buildings A-H are located and re-apply for the building ownership certificates of Buildings C-H after the completion of the "Three Olds Redevelopment" in around June 2021. JMBLR confirmed that there will be no material legal impediment for us to obtain the building ownership certificates.

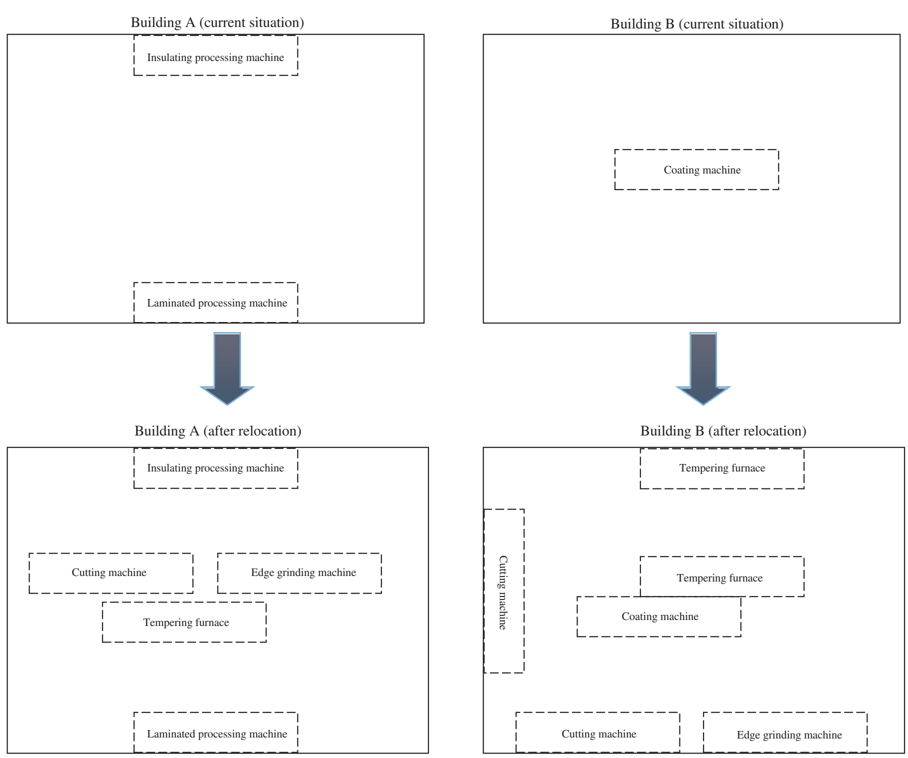
For the above reasons, our Directors consider that the title defects in Buildings C-H are not crucial to our operations as these will not affect our daily production and operations and will not have any material adverse effect on our business or revenue in the future. As such, we are of the view that the title defects in Buildings C-H do not constitute material non-compliance of our Group. Moreover, during the Track Record Period, other than the historical title defects issue mentioned above, we did not come across any other title defects issue concerning building ownership certificate regarding buildings in which we are conducting our daily production and operations. As such, we are also of the view that the title defects in Buildings C-H do not constitute systemic non-compliance of our Group. Thus, our Directors are of the view that such title defects would not translate into an issue of suitability for the Listing.

Contingent relocation plan

While we consider that the risk of our Group being required to demolish Buildings C-H or to relocate our workshops and facilities therein is extremely remote and we intend to continue our operations and uses in such buildings, we have formulated a feasible relocation plan as detailed below to deal with the worst case scenario where we are unable to obtain the building ownership certificates of such buildings or are required to demolish such buildings in future.

Relocation of our pre-processing workshop

Under our contingent relocation plan, we would firstly relocate some pre-processing facilities, including one cutting machine, one edge grinding machine and one tempering furnace, in Buildings E and F to Building A, namely workshop for our core production process. Secondly, we would relocate other pre-processing facilities, including two cutting machines, one edge grinding machine and two tempering furnaces, in Buildings E and F to Building B, namely workshop for our core production process. The following diagram sets forth the layout of our current workshops and the proposed layout after relocation:



We plan to engage Luoyang Landi Glass Machinery Co., Ltd.* (洛陽蘭迪玻璃機器股份有限公司), which has previously sold a tempering furnace to us, to assist in our relocation. Based on the provided quotation letter, the estimated time for relocating and re-installing our pre-processing facilities would be around ten working days and the estimated costs of relocating and re-installing would be approximately RMB80,000.

Relocation of our raw materials and finished products workshops

As part of our contingent relocation plan, we have identified replacement premises for storage of raw materials and finished products ("**Backup Warehouse**") and entered into an agreement to lease with the landlord of the Backup Warehouse on 13 November 2018. The key terms of the agreement to lease are summarized as follows:

Term	From 13 November 2018 until termination by mutual consent, subject to the execution of formal lease agreement
Address of the Backup Warehouse	Factory building, Landou Area, East side of Ronghua Avenue, Jieyang, Guangdong, PRC
Rental amount	To be agreed
Deposit (non-refundable)	RMB20,000
Gross area	2,899.6 m^2

Under the agreement to lease, the landlord of the Backup Warehouse agrees to grant us a right to lease the Backup Warehouse and an option (with no prescribed time limit for exercising such option) to enter into a formal lease agreement for a term of up to ten years. In addition, once we have given written or oral notification to the landlord of our intention to enter into a formal lease agreement for the lease of the Backup Warehouse, the landlord shall sign the formal lease agreement within three days of receipt of such notification and shall let us have vacant possession of the Backup Warehouse within ten days after entering into the formal lease agreement. Under the agreement to lease, we are required to pay a non-refundable deposit of RMB20,000 to the landlord.

As we plan to arrange our own employees and our self-owned wagons to relocate the raw materials and finished products to the Backup Warehouse, we estimate that the costs and expenses for relocation of our raw materials and finished products workshops would be minimal, and the estimated time would be around ten days. This would not have any material adverse impact on our daily production and operations.

Relocation of our office

We have identified Building J for which we have obtained the building ownership certificate and which has sufficient space to accommodate our office supplies and utilities. We plan to arrange our own employees and our self-owned wagons to relocate our office supplies and utilities to the two buildings. It is expected to take approximately ten days with minimal costs. As such, this would not have any material adverse impact on our production and operations.

Views of our Directors and the Sole Sponsor

Based on the regulatory confirmations we obtained from the relevant competent government authorities, and the legal opinions of our PRC Legal Adviser, the Sole Sponsor concurs with the views of our Directors and the PRC Legal Advisers that the title defects of the lands and buildings thereon due to historical reasons will not create any substantive legal obstacle for the Company to continue occupying and using the lands and buildings thereon, and will not have a foreseeable adverse impact on the operation, business or financial condition of our Group as well as our share offering. In addition, our Directors believe that the abovementioned decline in revenue attributable to the relocation would not have a material and adverse impact on our Group's financial performance.

Land premium (the difference in land cost if Land 1 did not have defective title)

According to the interview with JMBLR on 4 September 2018 and our PRC Legal Advisers, we may be required to pay the land premium for obtaining the land use right of the converted collective land use right after its conversion into state-owned land. The land premium of RMB8.0 million is calculated based on the difference between: (i) a sale transaction of RMB9.3 million on 18 May 2017 of a comparable granted industrial land with a total site area of 20,486 m^2 in Jieyang which was reported on the State-owned Land Use Right Online Listing Announcement of Land Bureau of Jiedong District, Jieyang (《揭陽市揭東區國土資源局國有建設用地使用權網上掛牌出讓公告》); and (ii) the pre-paid rental fee of RMB1.3 million on 10 February 1998. Due to the uncertainties in connection with the "Three Olds Redevelopment" process and the conversion of collectively owned land, the estimated amount of land premium payable is for reference purpose only.

Leased property

As of the Latest Practicable Date, we leased Land 1 with a total site area of 18,714.6 m^2 in Xianqiao. The use of Land 1 has been explained in detail in the table above.

As of the Latest Practicable Date, pursuant to the abovementioned lease agreement, we were allowed to lawfully occupy and use Land 1. For more information, see "— Lands and buildings with title defects in the PRC." However, pursuant to Contract Law of the PRC (《中華人民共和國合同法》), the maximum period of a lease agreement shall not be more than 20 years. As such, the abovementioned lease agreement shall be deemed to be invalid since 31 December 2018. In order to maintain the validity of the abovementioned lease agreement, we entered into a confirmation on the lease agreement with Doumen Economic Union to rent Land 1 for another period of 20 years from 12 July 2018 to 11 July 2038, pursuant to which we are allowed to build factories and operate them on Land 1 without additional payments. Moreover, the confirmation on the lease agreement indicates that we will enter into an additional confirmation by 11 July 2038 confirming to rent Land 1 for the additional period from 12 July 2018 to 30 December 2052, pursuant to which we will be allowed to build factories and operate them on Land 1 without additional payments.

According to Chapter 8 of the GEM Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, we are exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report in respect of all our interests in lands or buildings, for the reason that, as of 30 June 2019, the carrying amount of our property interests did not exceed 15% of our total assets.

ENVIRONMENTAL MATTERS

Our operations are subject to certain PRC environmental laws and regulations, including those governing air emissions, water discharges, noise control and the management and disposal of hazardous substances and waste. For more information, see "Regulatory Overview — PRC Laws and Regulations Relating to Environmental Protection."

The major pollutants of our manufacturing processes include waste water, noise and solid waste, which were generated in compliance with all applicable environmental laws, regulations and standards during the Track Record Period and up to the Latest Practicable Date. During our production processes, we do not discharge air pollutants.

The main permit we obtained is Guangdong Pollutant Discharge Permit (廣東省污染物排放許可證), which expired on 29 March 2019 and will be replaced by National Pollutant Discharge Permit (國家排污許可證) as per our application in 2020. On 17 April 2019, Environment Protection Bureau of Rongcheng, Jieyang (揭陽市榕城區環保局) issued a Letter of Reply regarding the Application for Extension of Guangdong Pollutant Discharge Permit of Hongguang Glass (《關於揭陽市宏光鍍膜玻璃有限公司關於廣東省排污許可証到期補辦的申請的覆函》) confirming that Hongguang Glass does not need to renew the Guangdong Pollutant Discharge Permit after its expiration and should renew Pollutant Discharge Permit in 2020, since Hongguang Glass belongs to the glass manufacturing industry, in which we do not need to renew the Guangdong Pollutant Discharge Permit until the issuance of relevant guidance, pursuant to the Categorized Management List of Pollutant Discharge Permit for Fixed Pollution Sources (2017 Edition) (《固定污染源排污許可分類管理名錄(2017年版)》), and can apply for National Pollutant Discharge Permit after the issuance of relevant guidance. According to our PRC Legal Advisers, the delay in obtaining the Pollutant Discharge Permit is due to the government reform of such certification system and there is no material impact on our operation before 2020 because the Environment Protection Bureau of Rongcheng, Jieyang confirmed that we can continue using the Guangdong Pollutant Discharge Permit until we obtain the National Pollutant Discharge Permit according to the then applicable guidance. Our PRC Legal Advisers also confirm that we do not expect any legal impediment in renewing the National Pollutant Discharge Permit in 2020 on the condition that Hongguang Glass complies with the applicable laws and regulations.

To ensure our compliance with applicable PRC environmental laws and regulations and our effective management of environment-related risks, we have taken the following measures: (i) collecting glass fragments produced in our production processes for the recycling and reuse by our suppliers; (ii) installing sedimentation ponds to detach glass powder from waste water for the recycling of glass powder by our suppliers and the reusing of waste water by us; (iii) ensuring the volume of our discharged waste water to be no larger than 2,700 tons per year, in compliance with the requirement of the Guangdong Pollutant Discharge Permit; (iv) using water filtration equipment for cyclical use of water in our production process; (v) using walls and acoustic materials to reduce noise; (vi) encouraging the reduction in waste water, noise and solid waste during the production process; and (vii) establishing a team led by Mr. Chen Biming, our executive Director primarily in charge of human resources of our Group, who is responsible for monitoring the implementation of environmental protection measures by means of: (a) supervising the safe placement of glass fragments to be recycled by our suppliers; (b) supervising the cleaning of sedimentation ponds and the collecting of glass powder to be recycled by our suppliers; and (c) reviewing the daily record and monitoring the volume of waste water discharged during our production process. Apart from Mr. Chen Biming, no other senior management or Directors are involved in the environmental matters.

As of the Latest Practicable Date, we had not received any notification or warnings from relevant authorities and had not been subject to any material claims, lawsuits, penalties or disciplinary actions regarding environmental matters. To assess the waste water discharge performance during the Track Record Period, we monitored our waste water discharge levels and recorded 2,440 tons, 1,559 tons and 808 tons, respectively, for the years ended 31 December 2017 and 2018 and the six months ended 30 June 2019, all of which were smaller than the permitted waste water discharge volume of 2,700 tons per year during the Track Record Period. During the Track Record Period, we incurred minimal expenses in relation to environmental protection, which consisted of environmental protection tax of RMB3,600, RMB500.3 and RMB250.1, respectively, for the years ended 31 December 2017 and 2018 and the six months ended 30 June 2019. We expect related expenses to remain at similar levels in the foreseeable future. Therefore, environmental matters did not have any actual or potential adverse impact on our business operations and financial condition during the Track Record Period.

OCCUPATIONAL HEALTH AND SAFETY

We have implemented safety measures to ensure compliance with applicable regulatory requirements. We inspect our equipment and production facilities from time to time to ensure their safety for our operations. We also conduct training sessions for our employees from time to time to increase their awareness and knowledge of safety procedures and accident prevention measures. In addition, we have adopted a set of procedures governing safety issues such as responses to emergency and evacuation in case of fire outbreaks in our production facilities.

During the Track Record Period, our Directors received no reports of material accidents involving personal injuries or property damage. As advised by our PRC Legal Advisers, and as confirmed by the relevant government authorities, we were not subject to any material claims, lawsuits, penalties or disciplinary actions as a result of any material accidents and were in compliance with the relevant occupational health and safety laws and regulations in all material aspects as of the Latest Practicable Date.

INSURANCE

We maintain property insurance (財產綜合險) for our production plant, equipment and inventories, as well as automobile insurance (機動車商業保險) for our vehicles. This insurance policy covers the risk of property damage and personal injury or death, as well as vehicle damage due to traffic accidents. We also maintain group personal accident insurance (團體人身意外傷害險) for most of our employees, which covers the risk of accidental death, disability and hospitalization. Consistent with customary practice in the industry, we do not maintain any product liability insurance relating to claims or liabilities that may arise from any defects in our products.

Our Directors have confirmed that we have purchased and maintained insurance policies that are customary with the market practice in our industry. However, there can be no assurance that the insurance policies we maintain will sufficiently cover all of our operational risks. For more information, see "Risk Factors — Risks Relating to Our Business and Industry — Our insurance coverage may not sufficiently cover the risks related to our business."

RISK MANAGEMENT AND INTERNAL CONTROL

We are exposed to various risks during our operations. For more information, see "Risk Factors." We have established risk management systems with relevant policies and procedures that we believe are appropriate for our business operations. Our policies and procedures relate to managing our procurement and production, as well as monitoring our sales performance and product quality. Our key risk management objectives include: (i) identifying the different risks relevant to our operations; (ii) assessing and prioritizing the identified risks; (iii) developing appropriate risk management strategies for different risks; (iv) monitoring and managing risks and our risk tolerance level; and (v) executing measures to respond to our risks.

Our Board oversees and manages the risks associated with our business. We have established the Audit Committee to review and supervise our financial reporting process and internal control system. The Audit Committee consists of three members, namely Ms. Chen Xiuyan, who serves as chairwoman of the committee, Mr. Jia Xiaogang and Mr. Wu Yong. For more information on the qualifications and experience of these committee members, see "Directors and Senior Management."

In order to improve our corporate governance and to prevent the recurrence of non-compliance incidents in the future, we have adopted, or expect to adopt before the Listing, a series of internal control policies, procedures and programs designed to provide reasonable assurance for achieving objectives such as effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Highlights of our internal control system include the following:

- Our Directors and senior management attended a training session in relation to the relevant requirements of the GEM Listing Rules and duties of directors of companies listed in Hong Kong;

- We have adopted various policies to ensure compliance with the GEM Listing Rules, mainly including those in relation to risk management, continuing connected transactions and information disclosure;

- We have implemented internal control policies in relation to financial management, mainly including cash management, bank payment management and credit assessment procedures; and

- We have implemented a series of internal rules and regulations in relation to our business operations, mainly including those in relation to the management of our quality control, occupational health and safety, sales, production, procurement and intellectual property and trademark administration.

We have engaged BT Corporate Governance Limited (the "**Internal control consultant**") to perform certain internal control review in relation to our internal control policies respecting entity-level controls, compliance monitoring controls, financial and cash management procedures, recovery of trade receivables, procurement procedures, intellectual property protection, human resources management procedures, fixed asset management procedures and other general control measures. Our Internal control consultant performed the work and provided recommendations based on the review of our internal control policies. Accordingly, we have implemented rectification and improvement measures, as the case may be, in response to these findings and recommendations; our Internal control consultant has also completed procedures to follow up on the actions we took in relation to our internal control system. We did not receive any additional recommendations from the Internal control consultant as of the Latest Practicable Date.

INCIDENT RELATING TO PRODUCT QUALITY

Background of the Incident

SAMR is the department which is responsible for the nationwide administration, supervising and exercising enforcement regarding compulsory product certification. SAMR will, from time to time, issue notices to further deliberate the Regulations Regarding the Management of Compulsory Product Certification (the "**Regulations**") and other pertaining implementation guidance rules including but not limited to Implementation Rules for Cancellation, Suspension and Revoke of Compulsory Product Certification (the "**Implementation Rules**") (《強制性產品認證證書註銷、暫停、撤銷實施規則》). Jieyang Municipal Bureau of Quality and Technical Supervision ("**JMBQTS**") (揭陽市質量技術監督局), later being superseded by Jieyang Municipal Administration of Market Supervision ("**JMAMS**") (揭陽市市場監督管理局) in January 2019 is the local counterpart of SAMR and responsible for the administration, supervising and exercising enforcement of compulsory product certification in Jieyang. China Building Material Test & Certification Group Co., Ltd.(中國建材檢驗認證集團股份有限公司) (the "**CTC**") was established in December 1984, was approved and authorized by the Certification and Accreditation Administration of the PRC (中國國家認證認可監督管理委員會) (the "**CNCA**") as an approved certification body, is responsible for the suspension and revocation of the certifications held by the enterprises. CNCA, which now has been incorporated into SAMR, is responsible for administration of the approved bodies regarding cancellation, suspension and revocation of the certifications according to the Regulations and Implementation Rules.

On 29 June 2018, our PRC operating subsidiary, Hongguang Glass, received a test report issued by a competent institution authorized by AQSIQ, a national authority that issues the Notice of State Supervisory Sampling Inspection of Product Quality, which stated that a batch of 6 mm tempered glass produced by Hongguang Glass failed to satisfy a national standard which requires that the fragments of a piece of tempered glass of 640mm×1090mm×6mm size which is broken shall not be less than 40 pieces, each within the size of 50mm×50mm (the "**Fragment Status Requirement**").

On 20 September 2018, JMBQTS issued a rectification notice which ordered Hongguang Glass to carry out rectification action, submit a rectification report and apply for a review. On 15 October 2018, CTC issued a notice to suspend the China Compulsory Product Certification (No. 2005051302003217) held by Hongguang Glass. On 30 October 2018, the CTC revoked this certificate. This revocation decision was made according to the Implementation Rules and the essence and conclusion of the SAMR internal conference to revoke all the suspended China Compulsory Product Certificates held by enterprises at that time, including our China Compulsory Product Certificate.

For the period from October 2018 to April 2019 when Hongguang Glass did not hold the China Compulsory Product Certification for architectural tempered glass of thickness of no more than 6 mm, Hongguang Glass purchased tempered glass of 6 mm size and 3.6 mm size from Jieyang Jiedong District Huawei Tempered Glass Factory (揭陽市揭東區華威鋼化玻璃廠), and resold it to our customers. It is because our employees were not aware that relabelling and reselling the tempered glass of 6 mm and no more than 6 mm we purchased from Jieyang Jiedong District Huawei Tempered Glass Factory without the China Compulsory Product Certificate might violate the relevant laws and regulations in the PRC. The revenue from the 6 mm tempered glass was RMB4.9 million, RMB1.3 million and RMB2.3 million, respectively, for the years ended 31 December 2017 and 2018 and the six months ended 30 June 2019. The sales volume of such glass was 95,000 m^2, 26,000 m^2 and 54,000 m^2, respectively, for the years ended 31 December 2017 and 2018 and the six months ended 30 June 2019. The gross profit of such glass was RMB1.0 million, RMB0.5 million and RMB0.9 million, respectively, for the years ended 31 December 2017 and 2018 and the six months ended 30 June 2019. The revenue from the architectural glass of thickness of no more than 6 mm was RMB7.5 million, RMB8.2 million and RMB1.2 million, respectively, for the years ended 31 December 2017 and 2018 and the six months ended 30 June 2019. The sales volume of such glass was 234,000 m^2, 208,000 m^2 and 37,000 m^2, respectively, for the years ended 31 December 2017 and 2018 and the six months ended 30 June 2019. The gross profit of such glass was RMB2.0 million, RMB2.2 million and RMB0.3 million, respectively, for the years ended 31 December 2017 and 2018 and the six months ended 30 June 2019. According to our PRC Legal Advisers, our sales of tempered glass of 6 mm size and 3.6 mm size, labelled with our registered trademark, without the China Compulsory Product Certification violated the relevant laws and regulations in the PRC and may subject us to the following potential legal risks: (i) we may be issued a fine between RMB50,000 and RMB200,000; and (ii) the gross profit attributable to such sales may be confiscated. Nevertheless, as the gross profits generated from such sales and the potential fines were minimal, the adverse impact of such sales on our financial performance was minimal.

Reasons for the Incident

The incident was mainly caused by: (i) unclear marking of adjusted products; (ii) burnt-out heating wires in part of the tampering furnace; (iii) inadequate self-inspection of our production team; and (iv) inadequate sampling tests of our quality control team.

Remedial Actions Taken

Upon receipt of the test report, we undertook the following remedial actions to deal with the product quality issue: (i) notified the customer and withheld this batch of products from delivery; (ii) suspended our production temporarily for further examination; (iii) resold the tempered glass purchased from Jieyang Jiedong District Huawei Tempered Glass Factory and delivered them to our customer on schedule; and (iv) increased the frequency of sampling tests in the future production process. Our Directors confirm that: (i) no defective products were sold to our customers; (ii) all the defective products were destroyed immediately; and (iii) no sales return and complaint of 6 mm tempered glass was recorded during the Track Record Period. The carrying amount of the defective products held by the Company of RMB1,465 was recognized as raw material usage at that time. Therefore, no revenue or gross profit was generated from the sales of defective products, and no sales return was subsequently recorded. According to our PRC Legal Advisers, we are not exposed to any potential claims from customers in relation to the unreturned sales as we did not sell the defective products to our customers. On 27 September 2018, Hongguang Glass submitted a rectification report containing a review application to JMBQTS. On 30 September 2018, JMBQTS carried out another sampling review and issued a test report on 18 October 2018 indicating that the Fragment Status Requirement were satisfied. On 26 October 2018, SAMR held an internal conference and required all counterparties to strictly enforce relevant laws and regulations. As Hongguang Glass failed to meet the Fragment Status Requirement which met the statutory condition of certification revocation according to the Implementation Rules, CTC, upon following the essence and conclusion of the internal conference, revoked our certification on 30 October 2018 and decided not to consider any positive review results stated in the test report. On 1 May 2019 and 5 May 2019, respectively, Hongguang Glass applied and obtained the China Compulsory Product Certification (No. 2019051302030055), valid until 4 May 2024, for architectural tempered glass of thickness of no more than 6 mm. As confirmed by our Directors, the revocation of the China Compulsory Product Certification (No. 2005051302003217) had no impact on our business operations and financial condition for the year ended 31 December 2017 and the nine months ended 30 September 2018. For the period from October 2018 to April 2019, despite the lack of the China Compulsory Product Certification, we resold the tempered glass purchased from Jieyang Jiedong District Huawei Tempered Glass Factory to our customers, and therefore, the revocation had no impact on our business operations and financial condition for the same period.

As of the Latest Practicable Date, there had been no claim against us arising from such product quality incident. Furthermore, our Controlling Shareholders have entered into the Deed of Indemnity in favor of our Group whereby, among other things, they will indemnify each member of our Group against all fines, penalties, claims, actions, proceedings, losses, liabilities, damages, costs, fees and expenses which our Group may suffer, sustain or incur or which may be commenced, brought or instituted against our Group and become payable arising out of or in connection with, such product quality incident.

Enhanced Internal Control Measures

In order to prevent similar product quality incidents in the future, we have taken the following measures: (i) enhance our staff management and provide training for our employees on operation guidelines and relevant PRC laws, and require our employees to strictly comply with such guidelines in our day-to-day operations; (ii) conduct inspection on tempering furnaces and replace all the burnt-out heating wires; (iii) check the tuyere to ensure that it is in good working condition; (iv) adjust the height of wind grids; (v) standardize our manufacturing technology to ensure that all technological parameters are modulated according to our operation guidelines; (vi) strengthen internal inspections and sampling tests, such as multiple and frequent internal inspections during the production process; and (vii) acquire more precious stress gauges to ensure the objectivity and accuracy of our inspections. Our Directors are of the view and the Sole Sponsor concurs that such remedial measures are effective in addressing the causes of the incident relating to product quality and preventing similar product quality incidents in the future. Our Internal control consultant is of the view that our internal control mechanisms over product quality control were adequate and effective in all material respects as of 30 September 2019.

LEGAL AND REGULATORY MATTERS

Certificates, Licenses and Permits

According to the relevant PRC laws and regulations, we are required to obtain and maintain various certificates, licenses and permits to operate our business. The following table sets forth the principal certificates, licenses and permits that we held as of the Latest Practicable Date:

Certificate/Permit	Certificate/Permit Number	Issue Date	Expiry Date
Certificate for China Compulsory Product Certification for architectural tempered glass of thicknesses of more than 6 mm and no more than 12 mm (玻璃公稱厚度6 mm<D≤12 mm 建築鋼化玻璃)	2005051302003218	15 September 2015	14 September 2020
Certificate for China Compulsory Product Certification for architectural tempered glass of thicknesses of more than 12 mm(玻璃公稱厚度D>12 mm建築鋼化玻璃)	2005051302003219	15 September 2015	14 September 2020
Certificate for China Compulsory Product Certification for architectural tempered laminated glass of thicknesses of no less than 8.76 mm with PVB interlayer's thicknesses of 0.76 mm (玻璃總公稱厚度D≥8.76 mm 中間層厚度為0.76 mmPVB建築鋼化夾層玻璃)	2005051302003216	15 September 2015	14 September 2020
Certificate for China Compulsory Product Certification for silicone sealed and dual sealed aluminum spacer construction (safe) insulating glass (硅酮膠密封槽鋁式雙道密封封建築(安全)中空玻璃)	2008051302005494	26 January 2018	25 January 2023
Certificate for China Compulsory Product Certification for architectural tempered laminated glass of thicknesses of no less than 13.52 mm with PVB interlayer's thicknesses of 1.52 mm (玻璃總公稱厚度D≥13.52 mm中間層厚度為1.52 mmPVB建築鋼化夾層玻璃)	2019051302029357	14 January 2019	13 January 2024
Certificate for China Compulsory Product Certification for architectural tempered glass of thicknesses of no more than 6 mm (玻璃公稱厚度D≤6 mm建築鋼化玻璃)	2019051302030055	5 May 2019	4 May 2024
ISO9001:2015 certificate for quality management system (質量管理體系認證證書)	01717Q10910R1M	30 July 2017	30 June 2020
Guangdong Pollutant Discharge Permit (廣東省污染物排放許可證)	4452002015000006	30 March 2017	29 March 2019(1)

Note:

(1) The Guangdong Pollutant Discharge Permit will be replaced by National Pollutant Discharge Permit (國家排污許可證) as per our application in 2020. For more information, see "— Environmental Matters."

We are advised by our PRC Legal Advisers, as confirmed by the competent government authorities, that as of the Latest Practicable Date, we obtained all requisite certificates, licenses and permits from relevant regulatory authorities for our operations in all material respects, and all of our certificates, licenses and permits were in force as of the Latest Practicable Date. We are required to renew such certificates, licenses and permits from time to time. As advised by our PRC Legal Advisers, we do not expect any material difficulties in obtaining such renewals as long as we meet the applicable requirements and conditions and adhere to the procedures set forth in the applicable laws and regulations as required by the relevant government authorities.

Legal Proceedings

We may from time to time be involved in legal, arbitration or administrative proceedings in the ordinary course of business.

In September 2015, Hongguang Glass as plaintiff initiated a lawsuit in the Guangdong Jieyang Rongcheng People's Court (the "**Rongcheng Court**") against two customers as defendants for the payment of: (i) an outstanding sum of RMB2.3 million for coated glass previously sold to them; and (ii) the penalty for late payment pursuant to the agreement and relevant laws and regulations in the PRC. In December 2015, under mediation by the Rongcheng Court, the parties reached settlement agreeing that: (i) the outstanding sum amounted to RMB2.4 million in total; (ii) the defendants shall repay in eight installments with joint liability; and (iii) Hongguang Glass shall have the right to apply to court to enforce the settlement and compel repayment of the outstanding sum in full, if the defendants failed to adhere to their payment obligation thereof. The defendants did not pay the full amount to Hongguang Glass by the specified deadline. As of 30 June 2019, we had an outstanding sum of RMB1.9 million. As confirmed by our Directors, we have provided provision for the said outstanding sum of RMB1.9 million.

Saved as disclosed above, during the Track Record Period and up to Latest Practicable Date, we were not involved in any litigation, arbitration or administrative proceedings against us or any of our Directors that could have a material and adverse effect on our financial condition or results of operations. Additionally, as of the Latest Practicable Date, as confirmed by our Directors, there were no legal, arbitration or administrative proceedings pending or threatened against us or any of our Directors which could be expected to have a material and adverse effect on our financial condition or results of operations.

Compliance

With the exception of the non-compliance incidents disclosed below and lands and buildings with title defects in the PRC disclosed in "— Property — Lands and Buildings in Xianqiao — Lands and buildings with title defects in the PRC," we are advised by our PRC Legal Advisers that, as confirmed by relevant government authorities, during the Track Record Period and up to the Latest Practicable Date, we had complied with all applicable laws and regulations in all material respects in the PRC. Our Directors are of the view that there were no other non-compliance incidents that would materially and adversely affect our business operations during the Track Record Period and up to the Latest Practicable Date.

Non-compliance incident	Details and reasons for the non-compliance	Legal consequences and maximum potential penalty	Remedies and current status	Enhanced internal control measures
Social insurance contributions	Our PRC operating subsidiary, Hongguang Glass, did not contribute to the social insurance for all of its eligible employees and did not make full social insurance contributions based on such eligible employees' actual income before May 2019. Such non-compliance incident was mainly caused by: (i) designated staff's unintended and inadvertent oversight of the relevant PRC laws and regulations; and (ii) personal reasons that some of employees refused to make their social insurance contributions, for which we would be required to make matching contributions.	According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), if an employing entity does not pay the full amount of social insurance contribution as scheduled, the relevant government authority may order it to make the contribution or pay the difference within the prescribed time limit and impose an overdue fine of 0.05% of the delayed payment per day from the date on which the contributions become due; if the company fails to comply with the order, the relevant government authority may impose a fine of ranging from one to three times the amount of overdue contribution. According to the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), if an employing entity fails to pay social security premiums for the employees, its employees may dissolve the labor contract and receive financial compensation. Based on the view of our PRC Legal Advisers, given the fact that Hongguang Glass had paid full social insurance contribution for its eligible employees in compliance with the relevant laws and regulation since May 2019 and according to the confirmation letter issued by the local social insurance authority, the risk of a fine imposed by relevant authorities is low.	We have received a confirmation on 22 May 2019 from the local social insurance authority, confirming that: (i) the authority would not impose any penalty or administrative action including fines and late fees on Hongguang Glass of not paying in the full the social insurance contribution before May 2019, and would not compulsorily require Hongguang Glass to make supplementary contributions; and (ii) since May 2019, the Company have paid full social insurance contributions for its employees in compliance with the relevant laws and regulations. As of 30 June 2019, we had made adequate provisions of RMB1.7 million for possible social insurance premium. In addition, Mr. Wei, Ms. Lin and Ms. Liu, our Controlling Shareholders, have signed a letter of indemnity in favor of us with regard to any liabilities we may be subject to as a result of such non-compliance incident.	Mr. Chen Biming, our executive Director being primarily in charge of human resources of our Group, is responsible for monitoring our social insurance contributions for our eligible employees going forward and establishing a registry to keep track of the contribution schedules of the social insurance. The registry includes information such as a name list of employees eligible for the social insurance schemes, expected contribution amount and contribution date. Mr. Chen Biming is responsible for examining the compliance status of social insurance contributions on a monthly basis. If necessary, we will consult our external PRC legal counsel for further advice. Our PRC Legal Advisers have conducted training on social insurance requirements for our Directors and senior management. Our Directors are of the view, and the Sole Sponsor concurs, that the enhanced internal control measures will provide reasonably adequate and effective framework to assist us to ensure our compliance on social insurance contributions.

Non-compliance incident	Details and reasons for the non-compliance	Legal consequences and maximum potential penalty	Remedies and current status	Enhanced internal control measures
Housing provident fund contributions	Our PRC operating subsidiary, Hongguang Glass, did not set up housing provident fund for all of its eligible employees and did not make full contribution to housing provident fund based on such eligible employees' actual income before May 2019. Such non-compliance incident was mainly caused by: (i) designated staff's unintended and inadvertent oversight of the relevant PRC laws and regulations; and (ii) personal reasons that some of employees refused to make their housing provident fund contributions, for which we would be required to make matching contributions.	According to the Regulations on the Administrative Regulations on the Housing Provident Fund (《住房公積金管理條例》), if an employing entity fails to make the contribution registration of housing provident fund or fails to undergo the procedure for its employees to set up the housing provident fund accounts, the relevant government authority may order it to rectify within the prescribed time limit; if the employing entity fails to comply with the order, the relevant government authority may impose a fine of no less than RMB10,000 but up to RMB50,000. In addition, if an employing entity fails to pay or does not pay in full the housing provident fund in due course, the relevant government authority may order it to rectify within the prescribed time limit; if the employing entity fails to comply with the order, compulsory enforcement by the court may be applied. Based on the view of our PRC Legal Advisers, given the fact that Hongguang Glass had paid in full the housing provident fund for its eligible employees in compliance with the relevant laws and regulation since May 2019 and according to the confirmation letter issued by the local housing provident fund authority, the risk of a fine imposed by relevant authorities is low.	We have received a confirmation on 22 May 2019 from the local housing provident fund authority, confirming that: (i) the authority would not impose any penalty or administrative action including fines and late fees on Hongguang Glass of not paying in full the housing provident fund before May 2019, and would not compulsorily require Hongguang Glass to make supplementary contributions; and (ii) since May 2019, the Company had paid in full the housing provident fund contributions for its employees in compliance with the relevant laws and regulations. As of 30 June 2019, we have made adequate provisions of RMB0.9 million for possible housing provident fund premium. In addition, Mr. Wei, Ms. Lin and Ms. Liu, our Controlling Shareholders, have signed a letter of indemnity in favor of us with regard to any liabilities we may be subject to as a result of such non-compliance incident.	Mr. Chen Biming, our executive Director primarily in charge of human resources of our Group, is responsible for monitoring our housing provident fund contributions for our eligible employees going forward and establishing a registry to keep track of the contribution schedules of the housing provident fund. The registry includes information such as a name list of employees eligible for the housing provident fund schemes, expected contribution amount and contribution date. Mr. Chen Biming is responsible for examining the compliance status of housing provident fund contribution on a monthly basis. If necessary, we will consult our external PRC legal counsel for further advice. Our PRC Legal Advisers have conducted training on housing provident fund requirements for our Directors and senior management. Our Directors are of the view, and the Sole Sponsor concurs, that the enhanced internal control measures will provide reasonably adequate and effective framework to assist us to ensure our compliance on housing provident fund contributions.

BOARD OF DIRECTORS

Our Board is responsible for and has general powers for the management and conduct of our business. Our Board consists of seven Directors, including four executive Directors and three independent non-executive Directors. The following table sets out certain information with respect to our Directors as of the date of this Prospectus:

Name	Age	Title	Date of joining our Group	Date of appointment as Director	Roles and responsibilities
Mr. Wei Jiakun (魏佳坤)	40	Chief executive officer and executive Director	August 2004	25 May 2017	Responsible for overseeing the day-to-day operations and overall business strategy and planning of our Group
Ms. Lin Weishan (林偉珊)	39	Chairwoman and executive Director	August 2005	25 May 2017	Responsible for overseeing the human resources, administration and finance matters of our Group
Mr. Chen Biming (陳壁明)	43	Executive Director	May 2013	27 May 2019	Responsible for the human resources and administration of our Group
Ms. Li Wanna (李婉娜)	28	Executive Director	February 2009	27 May 2019	Responsible for the procurement of raw materials and auxiliary materials of our Group
Ms. Chen Xiuyan (陳秀燕)	44	Independent non-executive Director	December 2019	11 December 2019	Responsible for overseeing management independently and providing independent advice to the Board
Mr. Jia Xiaogang (賈小剛)	62	Independent non-executive Director	December 2019	11 December 2019	Responsible for overseeing management independently and providing independent advice to the Board
Mr. Wu Yong (吳勇)	48	Independent non-executive Director	December 2019	11 December 2019	Responsible for overseeing management independently and providing independent advice to the Board

Executive Directors

Mr. Wei Jiakun (魏佳坤), aged 40, was appointed as our Director on 25 May 2017. He was re-designated as our executive Director and appointed as our chief executive officer on 27 May 2019. Mr. Wei is the spouse of Ms. Lin. He is primarily responsible for overseeing the day-to-day operations and overall business strategy and planning of our Group.

After Mr. Wei's graduation from Jiangxi Yuzhou Vocational College of Science and Technology* (江西渝州科技職業學院) (now known as Jiangxi University of Engineering (江西工程學院)) in July 2004 where he completed his tertiary education in business administration, he joined Hongguang Glass in August 2004 as a deputy general manager, and was further promoted as general manager in October 2006. Mr. Wei has approximately 15 years of experience in the glass processing industry.

Mr. Wei's outstanding achievements as an entrepreneur have been recognised throughout the years. In December 2009, Mr. Wei was awarded the "Guangdong glass industry outstanding entrepreneur"* (廣東玻璃行業優秀企業家) by the Guangdong Glass Association (廣東省玻璃行業協會). In 2013, Mr. Wei was honoured as a "Guangdong entrepreneur of integrity"* (廣東省誠信企業家) and "Guangdong outstanding entrepreneur"* (廣東省優秀企業家) by the "Guangdong Economist Entrepreneurs Association"* (廣東省經濟學家企業家聯誼會) and the "Guangdong Entrepreneurs Council"* (廣東企業家理事會).

From August 2011 to July 2015, Mr. Wei also served as an executive council member for the Guangdong Glass Association (廣東省玻璃行業協會). From November 2011 to October 2016, Mr. Wei served as a member of the standing committee of the Chinese People's Political Consultative Conference ("**CPPCC**") of the city of Jieyang* (政協廣東省揭陽市榕城區委員會). In December 2016, Mr. Wei was appointed as an executive member of the Guangdong Vacuum Industry Technology Innovation Alliance Council* (廣東省真空產業技術創新聯盟理事會), and a vice president of the executive committee of the Jieyang Federation of Industry and Commerce (General Chamber of Commerce)* (揭陽市工商業聯合會(總商會)). In January 2017, Mr. Wei was appointed as a representative of the sixth session of the People's Congress of the city of Jieyang* (揭陽市第六屆人民代表大會).

Mr. Wei was a supervisor of Dongguan City Hongcheng Glass Company Limited* (東莞市宏成玻璃有限公司) ("**Hongcheng Glass**"), a company established in the PRC with limited liability, when it was dissolved on 11 May 2016 by deregistration. According to Mr. Wei, Hongcheng Glass principally engaged in manufacture and sale of glasses prior to the dissolution. Hongcheng Glass had no outstanding liabilities and had ceased to carry on business when it was dissolved. Mr. Wei was also a director and shareholder of Jieyang City Haoming Glass Company Limited* (揭陽市昊明玻璃有限公司) ("**Haoming Glass**"), a company established in the PRC with limited liability, when its dissolution was approved by the relevant PRC authority on 9 August 2019. As confirmed by Mr. Wei, although the business scope of Haoming Glass was the production and sales of glass products, it has never commenced any business operation since its establishment in December 2003. Haoming Glass had no outstanding liabilities when it was dissolved. Mr. Wei confirmed that as of the Latest Practicable Date, no claims had been made against him and he was not aware of any threatened and potential claims made against him as a result of the dissolution of the above companies.

Ms. Lin Weishan (林偉珊), aged 39, was appointed as our Director on 25 May 2017. She was re-designated as our executive Director and appointed as our chairwoman and on 27 May 2019. Ms. Lin is the spouse of Mr. Wei. She is primarily responsible for overseeing the human resources, administration and finance matters of our Group. Ms. Lin graduated from Jiangxi Yuzhou Vocational College of Science and Technology* (江西渝州科技職業學院) (now known as Jiangxi University of Engineering (江西工程學院)) in July 2005 where she completed her tertiary education in accounting.

Ms. Lin has approximately 14 years of experience in the glass processing industry. Ms. Lin joined Hongguang Glass as a production coordinator in August 2005. In October 2007, she began working in the finance and accounting department of our Group as a bookkeeper. In March 2010, Ms. Lin was promoted to the position of sales manager in our Group. Since June 2011, Ms. Lin has been in charge of procurement of our Group. In January 2013, Ms. Lin was promoted to the position of deputy general manager. Since then, she has been in charge of human resources, administration and finance matters of our Group.

Mr. Chen Biming (陳壁明), aged 43, was appointed as our executive Director on 27 May 2019. Mr. Chen is primarily responsible for human resources and administration of our Group. Mr. Chen obtained the qualification of labor relations coordinator (勞動關係協調員) from the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部) in December 2018. Mr. Chen joined Hongguang Glass in May 2013 as head of administration. Mr. Chen has approximately 12 years of experience in business management. Prior to joining our Group, from September 2007 to May 2013, Mr. Chen worked as an assistant to the general manager and as a shopping mall manager at Jieyang Century Sunshine Home Company Limited* (揭陽市世紀陽光家居有限公司).

Mr. Chen graduated from South China University of Technology* (華南理工大學) in an administration management programme in January 2008 through online education.

Ms. Li Wanna (李婉娜), aged 28, was appointed as our executive Director on 27 May 2019. She is primarily responsible for the procurement of raw materials and auxiliary materials for production operations of our Group. In December 2017, Ms. Li completed a self-learning secretarial studies course at Wuhan Textile University* (武漢紡織大學).

Ms. Li has over ten years of experience in the glass processing industry. Ms. Li joined Hongguang Glass in February 2009 as a production coordinator until December 2013, and was mainly responsible for analysing the data of our Group. In January 2014, Ms. Li was promoted to the position of procurement officer, and was in charge of procurement of raw materials and auxiliary materials of our Group.

Independent Non-executive Directors

Ms. Chen Xiuyan (陳秀燕), aged 44, was appointed as our independent non-executive Director on 11 December 2019. Ms. Chen is responsible for providing independent advice to our Board, and is the chairwoman of the Audit Committee. Ms. Chen studied finance at the Sichuan University (四川大學) (online course) from March 2003 to June 2005.

Ms. Chen has approximately 17 years of experience in the field of accounting. She has been employed at Guangdong Life Strong Pharmaceutical Company Limited* (廣東萬年青製藥有限公司) since October 2002. From October 2002 to August 2006, she worked as a deputy financial manager, and from August 2006 to December 2011, as a financial manager. Since January 2012, Ms. Chen has been its chief finance officer, where she is responsible for overseeing the finance matters. Since July 2019, Ms. Chen has also been the director.

She was registered as a tax agent (註冊稅務師) of the PRC in June 2007, and became a non-practising member of the Guangdong Provincial Institute of Certified Public Accountants (廣東省註冊會計師協會) in October 2016. Ms. Chen was also certified as a board secretary by the Shenzhen Stock Exchange in December 2016. Ms. Chen served as a member of the fourth Shantou Jinping Committee of CPPCC (政協汕頭市金平區第四屆委員會) in November 2016 and has been serving as a supervisor of the Shantou Institute of Chartered Accountants (汕頭市註冊會計師協會) since March 2017.

Mr. Jia Xiaogang (賈小剛), aged 62, was appointed as our independent non-executive Director on 11 December 2019. Mr. Jia is responsible for providing independent advice to our Board, and is the chairman of the Nomination Committee. Mr. Jia completed his tertiary education in Chinese language and literature at Hunan Radio and Television University* (湖南廣播電視大學) in July 1988.

Mr. Jia has extensive experience in the glass processing industry. He was employed at Zhuzhou Glass Factory* (株洲玻璃廠) (now known as Zhuzhou Xinguangming Glass Company Limited* (株洲新光明玻璃有限公司)) from September 1988 to December 1996. He joined the company in September 1988 and assumed various senior positions in the sales department of the company. From January 1997 to November 2008, he was employed by and assumed various senior positions in two other companies in the PRC engaging in glass manufacturing. He established a company called Zhuzhou Xinrun Trading Company Limited* (株洲新潤貿易有限公司) in June 2010 and has been the director and legal representative of the company since then. He was appointed as a deputy director of China Glass Circulation Chamber of Commerce* (中國玻璃流通商會) in January 2016 and is currently serving as a consultant for the Guangdong Glass Circulation Chamber of Commerce* (廣東省玻璃流通商會).

Mr. Wu Yong (吳勇), aged 48, was appointed as our independent non-executive Director on 11 December 2019. Mr. Wu is responsible for providing independent advice to our Board, and is the chairman of the Remuneration Committee. Mr. Wu obtained a master's degree and a doctor's degree in technical economics and management from Hehai University (河海大學) in April 2006 and December 2008, respectively.

Mr. Wu has extensive experience and knowledge in business management and finance. Since July 2008, he has been teaching at the School of Business of Nanjing Xiaozhuang University (南京曉莊學院商學院) and became an assistant professor of the university in August 2012. Mr Wu is also a chairman of its labor union. Since December 2014, he has been an independent director of Jiangsu Seven Continents Green Chemistry Company Limited* (江蘇七洲綠色化工股份有限公司), where he is responsible for providing independent advice to the board of directors of the company. Mr. Wu obtained his bachelor's degree in geography education from Anhui Normal University (安徽師範大學) in July 1993. From September 1993 to July 2003, he had been a teacher and vice president of academic affairs of Anhui Province Ma'anshan No. 4 High School* (安徽省馬鞍山市第四中學).

Corporate Governance

The Company's corporate governance practices are based on principles and code provisions as set out in the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules (the "**Corporate Governance Code**"). The Company's corporate governance practices have complied with the Corporate Governance Code.

Disclosure required under Rule 17.50(2) of the GEM Listing Rules

Save as disclosed above and in "Appendix IV — Statutory and General Information — 4. Further Information about Directors and Substantial Shareholders," each of our Directors confirms that: (i) he/she has no interests in the Shares within the meaning of Part XV of the SFO; (ii) he/she is independent from, and is not related to, any other Directors, members of senior management, Substantial Shareholders or Controlling Shareholders; (iii) he/she has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years; and (iv) there is no other information which is required to be disclosed pursuant to any of the requirements under Rules 17.50(2)(h) to 17.50(2)(v) of the GEM Listing Rules nor are there any matters which need to be brought to the attention of the Shareholders in connection with his/her appointment.

SENIOR MANAGEMENT

The following table sets out certain information with respect to members of our senior management team as of the date of this Prospectus:

Name	Age	Title	Date of joining our Group	Roles and responsibilities
Mr. Lin Gai (林改)	43	Deputy general manager	March 2014	Responsible for production, research and development and quality control of our Group
Mr. Zheng Xubin (鄭旭斌)	42	Deputy general manager	March 2005	Responsible for the sales and marketing activities of our Group

Mr. Lin Gai (林改), aged 43, is the deputy general manager of Hongguang Glass, and is primarily responsible for matters relating to production, research and development and quality control of our Group. Mr. Lin obtained his bachelor's degree in steel and iron metallurgy from Anhui University of Technology (安徽工業大學) in July 2001, and a master's degree in optical engineering from Sun Yat-Sen University (中山大學) in June 2013.

Mr. Lin has approximately 18 years of experience in the glass processing industry. Mr. Lin joined Hongguang Glass in March 2014 as a deputy general manager. Mr. Lin was employed as an engineer in September 2001, promoted as factory production manager in May 2005 and was a deputy manager of technology centre between May 2011 and February 2014 at Zhongshan Grandglass Industrial Company

Limited* (中山市格蘭特實業有限公司). In January 2010, Mr. Lin obtained his certification as an engineer for glass coating from the Zhongshan Personnel Bureau* (中山市人事局), and in April 2014, he was certified as a senior engineer of building materials by the Human Resources and Social Security Department of Guangdong Province* (廣東省人力資源和社會保障廳). He was also appointed as a panel member of the China Glass Databank* (中國玻璃數據庫) by the China Construction Glass and Industrial Glass Association* (中國建築玻璃與工業玻璃協會) in September 2011. Mr. Lin was named "Outstanding expert and top-notch talent of Jieyang"* (揭陽市優秀專家及拔尖人才) in February 2015 by Jieyang Municipal Government.

Mr. Zheng Xubin (鄭旭斌), aged 42, is the deputy general manager of Hongguang Glass, and is primarily responsible for the sales and marketing activities of our Group. He has over 14 years of experience in the glass processing industry. He joined Hongguang Glass in March 2005 as an operation manager, and became production manager in January 2011. Mr. Zheng was promoted to the position of deputy general manager in December 2013, and was primarily responsible for overseeing the sales of our Group. Mr. Zheng studied computer application and graduated from Guangzhou Township Enterprise Management Cadre College* (廣州市鄉鎮企業管理幹部學院) in July 1999.

JOINT COMPANY SECRETARY

Mr. Weng Weilin (翁偉林), aged 33, was appointed as our joint company secretary on 27 May 2019. Mr. Weng obtained his bachelor's degree in international business from Guangdong University of Foreign Studies* (廣東外語外貿大學) in June 2009, and his master's degree in business administration from Cheung Kong Graduate School of Business (長江商學院) in September 2016. Mr. Weng joined our Group in February 2017 as an assistant to the general manager and was primarily responsible for corporate compliance and corporate secretarial matters in the PRC. Prior to joining our Group, Mr. Weng was employed as a sales executive in Shantou Institute of Ultrasonic Instruments Company Limited* (汕頭市超聲儀器研究所有限公司) from July 2009 to September 2012. From December 2014 to January 2017, Mr. Weng was appointed as deputy director of the chief executive's office at Shantou Dinfer Group Company Limited* (汕頭市鼎福集團有限公司).

Mr. Wong Cheung Ki Johnny (王章旗), aged 36, was appointed as our joint company secretary on 27 May 2019. Mr. Wong obtained his degree of bachelor of business administration in accounting from The Hong Kong University of Science and Technology in November 2005, and degree of master of corporate governance from The Hong Kong Polytechnic University in September 2016.

Mr. Wong has approximately 14 years of experience in the area of accounting and financial management. Mr. Wong is currently the sole proprietor of Jovial Wings CPA Company. Mr. Wong worked at Ernst & Young, Hong Kong from September 2005 to September 2007 as an accountant, and was promoted to senior accountant in October 2007. He was further promoted as manager at Ernst & Young Hua Ming, Beijing in October 2010 and worked until July 2012. From July 2012 to October 2015, Mr. Wong was the finance manager of Taubman Asia Management Limited. Since April 2016, Mr. Wong was appointed as a company secretary of: (i) China MeiDong Auto Holdings Limited (stock code: 1268), a company listed on the Main Board; and (ii) Zheng Li Holdings Limited (stock code: 8283), a company listed on GEM. Since July 2018, Mr. Wong has been appointed as a company secretary of Ascentage Pharma Group International (stock code: 6855), a company listed on the Main Board. Mr. Wong was admitted as a member of the Hong Kong Institute of Certified Public Accountants in February 2009, a fellow of the Hong Kong Institute of Certified Public Accountants in July 2016, an associate of The Hong Kong Institute of Chartered Secretaries in December 2016, a fellow of The Hong Kong Institute of Chartered Secretaries in March 2018, an associate of The Institute of Chartered Secretaries and Administrators in December 2016, and a fellow of The Institute of Chartered Secretaries and Administrators in March 2018.

BOARD COMMITTEES

Audit Committee

We have established the Audit Committee in accordance with Rule 5.28 of the GEM Listing Rules. We have also adopted written terms of reference for the Audit Committee in compliance with paragraph C.3 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Audit Committee are to make recommendations to our Board on the appointment and dismissal of the external auditor, review the financial statements and information and provide advice in respect of financial reporting and oversee the internal control procedures of the Company. The Audit Committee currently consists of three independent non-executive Directors, namely Ms. Chen Xiuyan, Mr. Jia Xiaogang and Mr. Wu Yong. Ms. Chen Xiuyan is the chairwoman of the Audit Committee.

Remuneration Committee

We have established the Remuneration Committee in accordance with Rule 5.34 of the GEM Listing Rules. We have also adopted written terms of reference for the Remuneration Committee in compliance with paragraph B.1.2 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The primary duties of our remuneration committee are to make recommendation to our Board on the overall remuneration policy and the structure relating to all Directors and senior management of our Group, review and approve our management's remuneration proposals with reference to our Board's corporate goals and objectives and ensure none of our Directors determine their own remuneration. The Remuneration Committee currently consists of three independent non-executive Directors, namely Mr. Wu Yong, Ms. Chen Xiuyan and Mr. Jia Xiaogang. Mr. Wu Yong is the chairman of the Remuneration Committee.

Nomination Committee

We have established the Nomination Committee with written terms of reference adopted in compliance with paragraph A.5.2 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of our Board at least annually and make recommendation to our Board on any proposed changes to our Board to complement the Company's corporate strategy; identify individuals suitably qualified as potential board members and select or make recommendations to our Board on the selection of individuals nominated for directorships; assess the independence of independent non-executive Directors; and make recommendations to our Board on the appointment or reappointment of Directors and succession planning of Directors, in particular that of our chairman and our chief executive officer. The Nomination Committee currently consists of three independent non-executive Directors, namely Mr. Jia Xiaogang, Ms. Chen Xiuyan and Mr. Wu Yong. Mr. Jia Xiaogang is the chairman of the Nomination Committee.

BOARD DIVERSITY POLICY

With a view to achieving sustainable and balanced development, we have adopted a board diversity policy (the "**Board Diversity Policy**") to achieve diversity in our Board. The Board Diversity Policy sets out the objective of and approach by our Board to achieve and maintain diversity in our Board in order to enhance the effectiveness of our Board and recognises and embraces the benefits of diversity in our Board. We endeavor to ensure that our Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the implementation of our business strategy. Pursuant to the Board Diversity Policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service and any other factors that our Board may consider relevant and applicable from time to time. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board. Our Board believes that such merit-based appointments will enable our Company to best serve our Shareholders and other stakeholders going forward.

Our Board currently comprises seven members, including four executive Directors and three independent non-executive Directors. Our Directors have a balanced mix of experiences, including management and strategic development, human resources, raw materials procurement and accounting experiences in addition to experience in the glass processing business. Further, our Board has a good mix of new and experienced Directors. Mr. Wei and Ms. Lin, both being our executive Directors, joined our Group in 2004 and 2005, respectively, and have valuable industry knowledge and insights of our Group's business over the years, while the other two executive Directors, Mr. Chen Biming and Ms. Li Wanna, who joined our Group in 2013 and 2009, respectively, also have accumulated extensive experience in the glass processing industry. In addition, the three newly appointed independent non-executive Directors are expected to bring in fresh ideas and new perspectives to our Group as well and an element of independence. Our Board also recognises the importance of gender diversity. Our Board currently comprises four male Directors and three female Directors. Our Board believes that, based on the existing gender mix of our Board composition, the background and experience of our Directors and our business model, our current Board composition satisfies the principles set out in the Board Diversity Policy.

The Nomination Committee will review the composition of our Board from time to time and make recommendations as to the appointment of members of our Board as and when appropriate. Our Company will also take into consideration factors based on our Group's business model and specific needs from time to time in determining the optimum composition of our Board.

COMPLIANCE ADVISER

In compliance with Rule 6A.19 of the GEM Listing Rules, we have appointed Dongxing Securities as our compliance adviser. The compliance advisor will advise the Company on on-going compliance requirements and other issues under the GEM Listing Rules and other applicable laws and regulations in Hong Kong after the Listing.

We have entered into a compliance advisor's agreement with the compliance advisor, the material terms of which are summarized as follows:

(a) the compliance advisor's term of appointment for the purpose of Rule 6A.19 of the GEM Listing Rules shall commence on the Listing Date and end on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date, or until the agreement is terminated in accordance with the terms thereunder, whichever is earlier;

(b) the compliance advisor shall provide the Company with services, including guidance and advice as to compliance with the requirements under the GEM Listing Rules and all other laws, rules, codes and guidelines applicable to us; and

(c) we may terminate the appointment of the compliance advisor, by service of not less than 30 business days' prior written notice, only if its work is of an unacceptable standard or if there is a material dispute (which cannot be resolved within 30 days) over fees payable to it as permitted by Rule 6A.26 of the GEM Listing Rules. The compliance advisor shall have the right to resign or terminate its appointment at any time by service of not less than 30 business days' prior written notice to us.

REMUNERATION POLICY

Our Directors and senior management receive compensation in the form of salaries, discretionary bonuses, contributions to pension schemes and other allowances and benefits in kind subject to applicable laws, rules and regulations.

The aggregate amount of remuneration including Director's fee, salaries, allowances and benefits in kind and contributions to retirement benefit schemes which were paid to our Directors for the years ended 31 December 2017 and 2018 and the six months ended 30 June 2019 were RMB298,000, RMB332,000 and RMB220,000, respectively.

The aggregate amount of remuneration including salaries, allowances and benefits in kind and contributions to retirement benefit schemes which were paid to our five highest paid individuals (excluding the Directors amongst the five highest paid individuals) for the years ended 31 December 2017 and 2018 and the six months ended 30 June 2019 were RMB367,000, RMB399,000 and RMB165,000, respectively.

The Company regularly reviews and determines the remuneration and compensation packages of our Directors and senior management. After the Listing, the Remuneration Committee will review and determine the remuneration and compensation packages of our Directors and senior management with reference to the market condition, salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group. Under such arrangement and pursuant to our Directors' service contracts referred to in "Appendix IV — Statutory and General Information — 4. Further Information about Directors and Substantial Shareholders — A. Particulars of Directors' Service

Contracts" to this Prospectus, the aggregate amount of remuneration including salaries, allowances and benefits in kind payable to our Directors (excluding any discretionary bonuses) for the year ending 31 December 2020 is estimated to be approximately HK$1,406,000.

Save as disclosed above, no other payments including contributions to pension schemes have been paid or are payable, in respect of the years ended 31 December 2017 and 2018 and the six months ended 30 June 2019 by us or any of our subsidiaries to our Directors, and no payments were made during the years ended 31 December 2017 and 2018 and the six months ended 30 June 2019 by us to any of our Directors or senior management as an inducement to join or upon joining our Group. None of our Directors waived any remuneration during the Track Record Period.

OUR CONTROLLING SHAREHOLDERS

Immediately upon completion of the Capitalization Issue and the Share Offer (assuming the Offer Size Adjustment Option is not exercised), the Company will be owned as to 50.25% by Ming Liang Global which is entirely held by Wei Family Limited, which is in turn entirely held by IQ EQ (BVI), acting as the trustee of Family Trust. Family Trust is a discretionary trust established by Mr. Wei, Ms. Lin (the spouse of Mr. Wei) and Ms. Liu (the mother of Mr. Wei) as the settlors and the beneficiaries of Family Trust include Mr. Wei, Ms. Lin, Ms. Liu and certain family members of Mr. Wei. Accordingly, Mr. Wei, Ms. Lin, Ms. Liu, Wei Family Limited and Ming Liang Global are regarded as our Controlling Shareholders.

Each of Wei Family Limited and Ming Liang Global is an investment holding company. Wei Family Limited principally engages in holding the shares in Ming Liang Global whilst Ming Liang Global principally engages in holding the Shares in the Company. Neither Wei Family Limited or Ming Liang Global has any other business.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, none of our Controlling Shareholders or Directors or their respective close associates was interested in any business (other than our Group's business) which competes or may compete with the business of our Group. Having considered the following factors, our Directors believe that we are capable of carrying out our business independently from, and do not place reliance on, our Controlling Shareholders and their respective close associates after the Listing.

Management Independence

As stated above, our Controlling Shareholders and their respective close associates were not interested in any other business which competes or may compete with the business or our Group as of the Latest Practicable Date. Therefore, there is no competition that would adversely affect the management independence of our Group.

Our Board consists of seven Directors, comprising four executive Directors and three independent non-executive Directors.

Each of our Directors is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the best interests of the Company, and do not allow any conflict between his/her duties as a director and his/her personal interest to exist. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meeting in respect of such transaction and shall not be counted in the quorum. Our independent non-executive Directors will also bring independent judgment to the decision-making process of our Board. In addition, we have an independent senior management team with the relevant industry expertise and experience to implement our Group's policies and strategies.

Based on the above, our Directors are of the view that the Company is capable of managing its business independently from our Controlling Shareholders and his/its respective close associates after the Listing.

Operational Independence

We have established our own organisational structure comprising individual departments, each with specific areas of responsibilities. We have not shared our operational resources, such as suppliers, customers, marketing sales and general administration resources with our Controlling Shareholders and/or their respective close associates.

We hold all relevant licences necessary for carrying on our businesses and have sufficient capital, equipment and employees to operate our business independently of our Controlling Shareholders.

Based on the above, our Directors consider that the operations of our Group do not rely on our Controlling Shareholders or any of his/her/its respective close associates.

Financial Independence

We have our own independent financial system and we make financial decisions according to our business needs. We also have our own internal control and accounting systems and accounting and finance department to perform independent treasury function for cash receipts and payments and independent accounting and reporting functions. We are able to obtain financing from third parties or from our internally generated funds without reliance on our Controlling Shareholders.

During the Track Record Period, certain of our bank loans were guaranteed by our Controlling Shareholders and such guarantees will be released before the Listing. Save and except for these guarantees, our Controlling Shareholders had not entered into any other financial arrangements with our Group during the Track Record Period and our Directors believe that we are able to maintain financial independence from our Controlling Shareholders or any of his/her/its respective close associates after the Listing.

Independence of Major Customers

Our Directors confirm that our Controlling Shareholder, Directors and their respective close associates did not have any relationship with the major customers of our Group (other than the business contracts in the ordinary and usual course of business of our Group) during the Track Record Period and up to the Latest Practicable Date.

Independence of Major Suppliers

Our Directors confirm that our Controlling Shareholders, Directors and their respective close associates did not have any relationship with the major suppliers of our Group (other than the business contracts in the ordinary and usual course of business of our Group) during the Track Record Period and up to the Latest Practicable Date.

RULE 11.04 OF THE GEM LISTING RULES

Our Controlling Shareholders, Directors and their respective close associates do not have any interest, apart from our Group's business, which competes or may compete, directly or indirectly, with our Group's business, and which requires disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

NON-COMPETITION UNDERTAKINGS

None of our Controlling Shareholders is interested in any business which is, whether directly or indirectly, in competition with our business. In order to ensure that our Controlling Shareholders will not engage in any business undertaking in competition with our Group in the future, each of our Controlling Shareholders has entered into the Deed of Non-Competition in favor of the Company (for itself and as trustee for its subsidiaries from time to time) to the effect that each of them will not, and will procure each of their respective close associates not to, directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with our businesses.

Each of our Controlling Shareholders (the "**Covenantors**") has undertaken to us in the Deed of Non-Competition that he/she/it will, among others, at any time during the Relevant Period (as defined below):

(i) save for engaging in the Restricted Business (as defined below) through our Group, not, and will procure that his/her/its close associates (other than members of our Group) will not, directly or indirectly, carry on, invest, participate or engage in any business which competes or may compete, directly or indirectly, with the Restricted Business; and

(ii) promptly provide the Company with any relevant information in respect of any new business opportunity ("**New Business Opportunity**") within the PRC which competes or may compete with the Restricted Business or future business of our Group of which he/she/it or his/her/its close associates may have knowledge, for the independent non-executive Directors to review and decide whether our Group shall take up such New Business Opportunity by considering, among other things, whether (a) such New Business Opportunity would constitute competition with the Restricted Business; and (b) it is in the interest of our Group to pursue such New Business Opportunity taking into account factors such as the nature of such New Business Opportunity and the estimated costs of investing in or acquiring such New Business Opportunity; and give the Company an option exercisable by the Company within 30 days upon receipt of the written notification of relevant information, to take up such New Business Opportunity; and he/she/it and/or his/her/its close associates may only take up such New Business Opportunity after our independent non-executive Directors have separately reviewed and decided that our Group should decline such New Business Opportunity.

For the above purposes:

(i) "Restricted Business" means the business engaged by our Group in the PRC from time to time including the manufacture, sale and research and development of architectural glass products; and

(ii) "Relevant Period" means the period commencing from the Listing Date and expiring on the earlier of the dates below:

(a) the date on which the Shares cease to be listed on the Stock Exchange;

(b) the date on which the Covenantors and their respective close associates, taken together, whether directly or indirectly, cease to be our Controlling Shareholders for the purpose of the GEM Listing Rules; and

(c) the date on which the Company ceases to engage in the Restricted Business.

Pursuant to the Deed of Non-Competition, each of the Covenantors has also unconditionally and irrevocably granted to the Company (for itself and as trustee for its subsidiaries from time to time) the options during the Relevant Period to purchase any interest in any business of the relevant Covenantor or his/her/its close associates resulting from a New Business Opportunity which has been offered to us, but has not been purchased by us, and has been taken up and retained by the relevant Covenantor or his/her/its close associates.

Notwithstanding the aforesaid, the non-competition undertaking as set out above shall not prevent the Covenantors and their respective close associates from holding our Shares, or other securities in us listed on the Stock Exchange; and/or acquiring a direct or indirect shareholding interest of not more than 5% in a company listed on any stock exchange anywhere in the world and engaged in any Restricted Business.

The Deed of Non-Competition and the rights and obligations thereunder are conditional upon: (i) the Listing Division granting the listing of, and the permission to deal in, the Shares as described in this document; and (ii) the Listing and dealings in the Shares on GEM taking place.

The Deed of Non-Competition will take effect on the Listing Date and will remain in full force and be terminated upon the earlier of:

(i) the date on which our Shares cease to be listed on the Stock Exchange;

(ii) the date on which the Covenantors and their respective close associates, taken together, whether directly or indirectly, cease to be our Controlling Shareholders for the purpose of the GEM Listing Rules; and

(iii) the date on which the Company ceases to engage in the Restricted Business.

CORPORATE GOVERNANCE MEASURES

In order to ensure the performance of the above non-competition undertakings, the Covenantors will:

(i) in case of any actual or potential conflict of interest, abstain from attending and voting at any meeting or part of any meeting convened to consider any New Business Opportunity (unless their attendance is specifically requested by our non-interested Directors), and shall not be counted towards the quorum for such meeting;

(ii) as required by the Company, provide all information necessary for our independent non-executive Directors to conduct an annual examination with regard to the compliance of the terms of the Deed of Non-Competition and the enforcement of it;

(iii) where our independent non-executive Directors shall deem fit, make a declaration in relation to the compliance of the terms of the Deed of Non-Competition in the annual report of the Company; and

(iv) that during the period when the Deed of Non-Competition is in force, fully and effectually indemnify the Company against any losses, liabilities, damages, costs, fees and expenses as a result of any breach on the part of the Covenantors of any statement, warranty or undertaking made under the Deed of Non-Competition.

The Company will disclose either in the annual report of the Company or issue a public announcement in relation to any decisions made by our independent non-executive Directors with regard to the compliance of the terms of the Deed of Non-Competition and the enforcement of it and, where applicable, the reason(s) why any New Business Opportunity referred to the Company by our Controlling Shareholders was not taken up.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, the following persons or entities will, immediately following the completion of the Capitalization Issue and the Share Offer (assuming the Offer Size Adjustment Option is not exercised), have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register required to be kept under Section 336 of the SFO, or who are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

Name	Capacity/nature of interest	Number of Shares directly or indirectly held (L)[1]	Approximate percentage of shareholding in the Company (%)
Ming Liang Global	Beneficial owner	150,750,000 (L)[2]	50.25
Wei Family Limited	Interest in a controlled corporation	150,750,000 (L)[2]	50.25
IQ EQ (BVI)	Trustee of a trust	150,750,000 (L)[2]	50.25
Mr. Wei	Settlor of a discretionary trust; Interest of spouse	150,750,000 (L)[2]	50.25
Ms. Lin	Settlor of a discretionary trust; Interest of spouse	150,750,000 (L)[2]	50.25
Ms. Liu	Settlor of a discretionary trust	150,750,000 (L)[2]	50.25
Orient Success	Beneficial owner	49,500,000 (L)[3]	16.50
Ms. Wang Yaqing	Interest in a controlled corporation	49,500,000 (L)[3]	16.50
Power Solution	Beneficial owner	24,750,000 (L)[4]	8.25
Mr. Li Wei	Interest in a controlled corporation	24,750,000 (L)[4]	8.25

Notes:

(1) The letter "L" denotes the entity/person's long position in the Shares.

(2) These Shares are held by Ming Liang Global, the entire issued share capital of which is held by Wei Family Limited, which is in turn entirely held by IQ EQ (BVI), acting as the trustee of Family Trust. Family Trust is a discretionary trust established by Mr. Wei, Ms. Lin (the spouse of Mr. Wei) and Ms. Liu (the mother of Mr. Wei) as the settlors and the beneficiaries of Family Trust include Mr. Wei, Ms. Lin, Ms. Liu and certain family members of Mr. Wei. Each of Mr. Wei, Ms. Lin, Ms. Liu, IQ EQ (BVI) and Wei Family Limited is deemed to be interested in the Shares held by Ming Liang Global by virtue of the SFO.

(3) These Shares are held by Orient Success, which is beneficially owned by Ms. Wang Yaqing. Ms. Wang Yaqing is deemed to be interested in these Shares by virtue of the SFO.

(4) These Shares are held by Power Solution, which is beneficially owned by Mr. Li Wei as to 50%, and the other two individuals as to 25% and 25%, respectively. Mr. Li Wei is deemed to be interested in these Shares by virtue of the SFO.

Save as disclosed above, our Directors are not aware of any person who will, immediately following completion of the Capitalization Issue and the Share Offer (assuming the Offer Size Adjustment Option is not exercised), have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register required to be kept under Section 336 of the SFO, or who are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

AUTHORIZED AND ISSUED SHARE CAPITAL

The authorized and issued share capital of the Company immediately after the Capitalization Issue and Share Offer (without taking into account the exercise of the Offer Size Adjustment Option) will be as follows:

Authorized share capital

		HK$
1,000,000,000	Shares	10,000,000

Issued and to be issued, fully paid or credited as fully paid:

		HK$
100	Shares in issue as of the date of this Prospectus	1
224,999,900	Shares to be issued pursuant to the Capitalization Issue	2,249,999
75,000,000	Shares to be issued in the Share Offer	750,000
300,000,000	Shares in total	3,000,000

Assuming the Offer Size Adjustment Option is exercised in full, the issued share capital of the Company immediately after the Capitalisation Issue and Share Offer will be as follows:

Issued and to be issued, fully paid or credited as fully paid:

		HK$
100	Shares in issue as of the date of this Prospectus	1
224,999,900	Shares to be issued pursuant to the Capitalization Issue	2,249,999
75,000,000	Shares to be issued in the Share Offer	750,000
11,250,000	Shares to be issued upon exercise of the Offer Size Adjustment Option in full	112,500
311,250,000	Shares in total	3,112,500

ASSUMPTIONS

The above tables assume that the Share Offer has become unconditional and the issue of Offer Shares pursuant thereto is made as described herein. It does not take into account: (i) any Shares which may be allotted and issued pursuant to the issuing mandate (as described below); or (ii) any Shares which may be repurchased by the Company pursuant to the repurchase mandate (as described below).

MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at least 25% of the total issued share capital of the Company must at all times be held by the public. The 75,000,000 Offer Shares represent 25% of the issued share capital of the Company upon the Listing.

RANKING

The Offer Shares will rank *pari passu* in all respects with all of the Shares now in issue or to be issued as mentioned in this Prospectus, and in particular, will qualify and rank equally for all dividends or other distributions hereafter declared, made or paid on the Shares on or after the date on which they are issued, save for any entitlement to the Capitalization Issue.

ISSUING MANDATE

Subject to the Share Offer becoming unconditional, the Directors have been granted a general and unconditional mandate to allot, issue and deal with the Shares with an aggregate number of not more than the sum of:

(i) 20% of the aggregate number of Shares in issue immediately following the completion of the Capitalization Issue and the Share Offer (not including Shares which may be allotted and issued pursuant to the Offer Size Adjustment Option); and

(ii) the aggregate number of Shares repurchased by the Company (if any) pursuant to the general mandate to repurchase Shares as described below.

The Directors may, in addition to the Shares which they are authorized to issue under the mandate, allot, issue and deal in the Shares pursuant to a rights issue, exercise of subscription rights attaching to any warrants of the Company, scrip dividends or similar arrangements or any other option scheme or similar arrangement for the time being adopted.

The issuing mandate will expire at the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the Company is required by the Articles or any applicable law to hold our next annual general meeting; or

(iii) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

Further details of this issuing mandate are contained in "Appendix IV — Statutory and General Information — 1. Further Information about the Company — C. Written Resolutions of Our Shareholders Passed on 11 December 2019" to this Prospectus.

REPURCHASE MANDATE

Subject to the Share Offer becoming unconditional, the Directors have been granted a general and unconditional mandate to exercise all the powers of the Company to repurchase not more than 10% of the aggregate number of the Shares in issue following the completion of the Capitalization Issue and the Share Offer (not including Shares which may be allotted and issued pursuant to the Offer Size Adjustment Option).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and such repurchases are made in accordance with the requirements of the GEM Listing Rules and all applicable laws, regulations and rules. A summary of the relevant GEM Listing Rules is set out in "Appendix IV — 1. Further Information about the Company — F. Repurchase by the Company of Its Own Securities" to this Prospectus.

The repurchase mandate will expire at the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the Company is required by the Articles or any applicable law to hold our next annual general meeting; or

(iii) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

Further details of this repurchase mandate are contained in "Appendix IV — 1. Further Information about the Company — C. Written Resolutions of Our Shareholders Passed on 11 December 2019" and "Appendix IV — 1. Further Information about the Company — F. Repurchase by the Company of Its Own Securities" to this Prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

The circumstances under which general meeting and class meeting are required are provided in the Articles of Association. For details, please see "Appendix III — Summary of the Constitution of the Company and the Cayman Islands Company Law" to this Prospectus.

You should read the following discussion and analysis in conjunction with our audited financial statements included in the Accountants' Report set out in Appendix I to this Prospectus, together with the accompanying notes. The Accountants' Report has been prepared in accordance with HKFRS. You should read the entire Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether the actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. See "Risk Factors" and "Forward-looking Statements."

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We primarily engage in the manufacture and sale of architectural glass products, including energy-efficient safety glass products and smart glass product, in Southern China. We principally offer the following two categories of architectural glass products under our own "Hong Guang (宏光)" brand:

(i) energy-efficient safety glass products, including coated glass, insulating glass, laminated glass and tempered glass; and

(ii) smart glass product, namely dimming glass.

Our architectural glass products can be processed into glazing materials used in constructing various architectural features, such as curtain wall installation and erection of internal partitions. In addition, our products can be further processed into optical lenses and screen protector. During the Track Record Period, we marketed and sold our products to our customers in China, which are the end-users of our products in the construction, construction material including construction material produced by glass manufacturers, optical and other industries and one trading company located in Jiangsu Province. During the Track Record Period, we also sold our products to one trading company located in Jiangsu Province. By offering a wide array of architectural glass products, we are able to cater to a variety of customer requirements and specifications.

Our revenue increased by 29.5% from RMB117.6 million for the year ended 31 December 2017 to RMB152.3 million for the year ended 31 December 2018. Our revenue increased by 43.5% from RMB69.1 million for the six months ended 30 June 2018 to RMB99.1 million for the six months ended 30 June 2019. Our profit for the year increased by 36.6% from RMB23.3 million for the year ended 31 December 2017, at a net profit margin of 19.8%, to RMB31.8 million for the year ended 31 December 2018, at a net profit margin of 20.9%. Our profit for the period increased by 24.1% from RMB9.7 million for the six months ended 30 June 2018, at a net profit margin of 14.0%, to RMB12.0 million for the six months ended 30 June 2019, at a net profit margin of 12.1%.

Basis of Preparation and Presentation

During the Track Record Period, our businesses were conducted through Hongguang Glass, our PRC operating subsidiary. Hongguang Glass was incorporated on 10 April 1992 and was beneficially owned and controlled by Ms. Lin, Mr. Wei and Ms. Liu before the Reorganization. The Company was incorporated in the Cayman Islands on 25 May 2017 as part of the Reorganization and in preparation for the Listing. Upon completion of the Reorganization on 11 July 2018, the Company became the holding company of our Group. The companies that took part in the Reorganization were controlled by the Controlling Shareholders before and after the Reorganization and there was no change in the economic substance of the ownership and the business of our Group. For more information, see "History, Reorganization and Group Structure — Reorganization" in this Prospectus.

The consolidated statements of profit or loss and other comprehensive income, the consolidated cash flow statements of our Group during the Track Record Period as set out in the Accountants' Report include the financial performance and cash flows of the companies now comprising our Group as if the current group structure had been in existence and remained unchanged throughout the Track Record Period, or since their respective dates of incorporation or establishment, where this is a shorter period. The consolidated statements of financial position of our Group as of 31 December 2017 and 2018 and 30 June 2019 as set out in the Accountants' Report have been prepared to present the financial position of the companies are now comprising our Group as of those dates as if the current group structure had been in existence as of the respective dates taking into account the respective dates of incorporation or establishment, where applicable.

The historical financial information has been prepared in accordance with all applicable HKFRSs. The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing our historical financial information, we have adopted all applicable new and revised HKFRSs, including HKFRS 15 Revenue from contracts with customers and HKFRS 9 Financial Instruments, which are mandatory for the accounting year beginning on 1 January 2018, and HKFRS 16 Leases, which is mandatory for the accounting year beginning on 1 January 2019, throughout the Track Record Period. The adoption of HKFRS 15, HKFRS 9 and HKFRS 16 has no significant impact on our consolidated financial position and performance, except for the reclassification of lease prepayment to right-of-use assets on our consolidated balance sheets as required under HKFRS 16. The revised and new accounting standards and interpretations which have been issued but not yet effective for the accounting year beginning 1 January 2019 and have not been adopted in our historical financial information are set out in Note 27 to the Accountants' Report as set out in Appendix I to this Prospectus. For further details, please refer to note 1 of the Accountants' Report as set out in Appendix I to this Prospectus.

Key Factors Affecting Our Results of Operations

Our results of operations have been and will continue to be affected by a number of external factors, including those described below:

PRC Government policies and market developments

We primarily offer coated glass products including Low-E glass, solar control glass and conductive glass. The markets and technological advances in relation to coated glass have developed significantly in recent years, driven primarily by a series of building energy conservation policies and standards promulgated by the PRC Government such as the Guidance Opinion. According to HCR, coated glass production volume in China is expected to increase at a CAGR of 7.8% from 293 million m^2 in 2018 to 427 million m^2 in 2023.

Moreover, based on increasing production and decreasing unit prices, HCR estimates that the dimming glass production volume in China is expected to increase at a CAGR of 21.6% from 254,000 m^2 in 2018 to 675,000 m^2 in 2023.

In addition, we have received government grants from the local government authorities in relation to, among other things, technical research and development, industrialization and the Listing during the Track Record Period. For the years ended 31 December 2017 and 2018 and the six months ended 30 June 2019, we recorded government grants of RMB6.8 million, RMB8.4 million and RMB0.5 million, respectively. However, there can be no assurance that there will not be any changes to these PRC Government policies. Any such changes could adversely affect our other net income and our results of operations.

Price of our products

Prices for our architectural glass products are primarily a result of negotiations with our customers, taking into consideration factors such as prevailing market conditions, product specifications, supply and demand of comparable products, the size of the purchase orders and our production costs. During the Track Record Period, we did not enter into any long-term or framework sales contracts with our customers. If our pricing does not effectively cover the possible increases in the raw material costs, staff costs and other costs, our gross margin may decrease, which may have an adverse effect on our financial condition and results of operations.

Price and supply of raw materials

For the years ended 31 December 2017 and 2018 and the six months ended 30 June 2018 and 2019, our raw material costs were RMB80.5 million, RMB123.2 million, RMB45.4 million and RMB76.0 million, respectively, which represented 87.6%, 91.8%, 89.1% and 93.3% of our total production costs, respectively. Our raw materials mainly included float glass, fireproof glass and coated glass. Prices for our raw materials are agreed upon negotiation with our suppliers and/or by reference to a market price. As we did not entered into long-term contracts during the Track Record Period, we believe that the fluctuation in prices of our raw materials may continue to affect our business operations and financial results. In addition, we manage our exposure to the risk of increase in raw material costs by passing such costs to our customers to the extent possible. Therefore, the increase in raw material costs and in turn the prices of our products may have an adverse effect on our results of operations.

Sensitivity analysis

A sensitivity analysis on the price fluctuations in float glass, our main raw material, during the Track Record Period is set forth below, which illustrates the hypothetical effects on our profit for the year/period with 5%, 10% and 15% increase or decrease in the price of float glass, representing the maximum fluctuation in the price of float glass.

	Changes in our profit for the year/period for change in the price of float glass		
	+/-5%	**+/-10%**	**+/-15%**
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2017	1,876	3,751	5,627
Year ended 31 December 2018	2,885	5,769	8,654
Six months ended 30 June 2019	3,613	7,227	10,840

Production capacity

As of the Latest Practicable Date, Xianqiao Plant was our sole operational production plant. For the years ended 31 December 2017 and 2018 and the six months ended 30 June 2019, our production volume of coated glass, our major energy-efficient safety glass product, was 0.9 million m^2, 2.4 million m^2 and 1.6 million m^2, respectively. There are technical constraints of our machineries to operate for long hours under the hot weather as much heat is generated during the coating process which requires cooling. During the coating process in the summer of 2018 and 2019, our machineries stopped working multiple times due to high water temperature and inadequate flow of cooling water. As such, the machineries cannot operate for long hours under high temperature. This technical constraint cannot be resolved by fixing or replacing the cooling water pipes as they are installed inside the chamber of the equipment, but only by adding new chambers to enhance the cooling of our production line. Therefore, this technical constraint can only be addressed by upgrading our production facilities.

Due to the technical constraint of our machineries to operate for long hours under the hot weather, our production is maintained at a minimal level between May and August. For the period between May and August in 2018, our production volume of coated glass was 0.6 million m^2. Given this technical constraint, we had to rely on our inventories to satisfy our sales demand during this period. Our production volume would rebound between September and December due to the resumption of normal operation of our machineries and our sales demand. In 2018, our production volume of coated glass was 1.5 million m^2 between September and December and reached a utilization rate of over 100%. In view of such, there is a need to increase our production capacity to address our production needs and supplement our plan to expand into the coated glass market.

To increase our annual production capacity, we plan to upgrade our existing production facilities by: (i) automation of the production process of coated glass; (ii) upgrading our existing equipment, including but not limited to, mechanical pumps, molecular pumps and switch board rooms, and coating process of Low-E glass; and (iii) purchasing equipment, including but not limited to, rotating cathodes, vacuum chambers and an edge grinding machine. We believe that the aforesaid upgrade to our existing production facilities will improve our production efficiency, which would in turn allow us to reduce our production costs and increase our production capacity. For more information, see "Business — Our Business Strategies — Upgrade our existing production facilities and strengthen our operational efficiency" in this Prospectus.

Product innovation and enhancement

Our business prospects and competitiveness in the architectural glass market depend on our ability to develop new innovative products and upgrade our existing products and technologies to meet our target customers' requirements and evolving market trends. For the years ended 31 December 2017 and 2018 and the six months ended 30 June 2018 and 2019, our research and development costs amounted to RMB6.1 million, RMB7.7 million, RMB3.1 million and RMB4.6 million, respectively, accounting for 5.2%, 5.1%, 4.6% and 4.6% of our total revenue, respectively. We have successfully developed advanced proprietary production processes and products. For example, we have developed high-light-transmittance golden quasi-double-silver Low-E glass (高透光率金色類雙銀Low-E玻璃), a type of Low-E glass with heightened capabilities in light transmittance, heat transfer reduction and energy efficiency, for which we have obtained an invention patent. We collaborated with Donghua University and a research institute of a national academy in the PRC during the Track Record Period to optimize our production processes and develop double-silver Low-E glass and new smart glass products, such as electrochromic glass. As of the Latest Practicable Date, we owned five invention patents and 15 utility model patents in China.

Moreover, we were given several awards by the PRC Government, such as the "Jieyang Enterprise Technology Center" (揭陽市級企業技術中心) in 2014 and the "Guangdong Energy-efficient and Environmentally Friendly Glass Engineering Technology Research Center" (廣東省節能與環保玻璃工程技術研究中心) in 2015. We were also certified as a "High and New Technology Enterprise" (高新技術企業) in 2014 and 2017, respectively. Upon which, we received government grants from the local government authorities and are entitled to enjoy a preferential income tax rate of 15% from 2014 to 2017 and from 2017 to 2020, respectively, and income tax deduction for the same periods. It in turn increased our other net income and reduced our income tax expenses for the same years.

As such, we believe that our success in developing new and enhanced products will have a positive effect on our financial position and results of operations.

Competition

Competition in the architectural glass market affects our results of operations. We compete primarily on the basis of technical innovation and competitive price, production capacity and operational efficiency, research and development resources, quality of our products and our brand reputation and experienced management team. The entry barriers to the architectural glass industry include possession of technical capabilities and access to capital and experienced personnel. However, a number of existing competitors who are of a larger scale and have greater manufacturing, financial, research and development and marketing resources in the market. We must continue to expand our production capacity and enhance our research and development capacities in order to compete effectively. As competition intensifies, we may generate lower revenue and compressed profit margin. In addition, failure to compete effectively in the market may adversely affect our business and results of operations.

PRC taxation

During the Track Record Period, our business was conducted through our PRC operating subsidiary, Hongguang Glass. The PRC statutory income tax rate is 25%. In October 2014 and November 2017, Hongguang Glass was certified as a "High and New Technology Enterprise" and entitled to a preferential income tax rate of 15% from 2014 to 2017 and from 2017 to 2020, respectively, and income tax deduction for the same periods. However, preferential tax treatment granted to our subsidiary by government authorities are subject to review and could be adjusted or terminated. The discontinuation of preferential tax treatment and income tax deduction currently available to us will increase our effective tax rate, which may have an adverse effect on our results of operations.

Critical Accounting Policies, Judgements and Estimates

We have identified certain accounting policies that we believe are significant to the preparation of our financial information. Some of our accounting policies involve assumptions and estimates, as well as complex judgements related to accounting items. In each case, the determination of these items requires management judgment based on information and financial data that may change in future periods. When reviewing our financial information, you should consider: (i) the selection of accounting policies; (ii) the judgments and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. Our principal accounting policies, judgments and estimates are set forth in Notes 2 and 3 under the Accountants' Reports attached to this Prospectus as Appendix I. We have identified the accounting policies, judgments and estimates that we believe are the most critical to our financial information and that involve the most significant estimates and judgments. Our Directors have confirmed that the estimates and judgments were accurate during the Track Record Period by comparing with actual results and have confirmed that these estimates and judgments did not change during the Track Record Period and do not expect to change materially in the future in light of our current business operations and future plans.

Description of Components of Results of Operations

Our consolidated statements of profit or loss and other comprehensive income for the years ended 31 December 2017 and 2018 and the six months ended 30 June 2018 and 2019 set forth below are extracted from the Accountants' Report set out as Appendix I to the Prospectus.

	Year ended 31 December				**Six months ended 30 June**			
	2017		**2018**		**2018**		**2019**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000* **(Unaudited)**	*%*	*RMB'000*	*%*
Revenue	**117,632**	**100.0**	**152,297**	**100.0**	**69,075**	**100.0**	**99,099**	**100.0**
Cost of sales	(81,806)	(69.5)	(109,181)	(71.7)	(50,926)	(73.7)	(70,447)	(71.1)
Gross profit	**35,826**	**30.5**	**43,116**	**28.3**	**18,149**	**26.3**	**28,652**	**28.9**
Other net income	6,996	5.9	8,591	5.6	1,004	1.5	574	0.6
Sales and marketing expenses	(333)	(0.3)	(202)	(0.1)	(113)	(0.2)	(94)	(0.1)
General and administrative expenses	(12,728)	(10.8)	(12,755)	(8.4)	(6,897)	(10.0)	(13,625)	(13.8)

	Year ended 31 December				Six months ended 30 June			
	2017		2018		2018		2019	
	RMB'000	%	*RMB'000*	%	*RMB'000* (Unaudited)	%	*RMB'000*	%
Profit from operations	**29,761**	**25.3**	**38,750**	**25.4**	**12,143**	**17.6**	**15,507**	**15.6**
Finance costs	(3,060)	(2.6)	(2,258)	(1.4)	(1,099)	(1.6)	(1,114)	(1.1)
Profit before taxation	**26,701**	**22.7**	**36,492**	**24.0**	**11,044**	**16.0**	**14,393**	**14.5**
Income tax	(3,439)	(2.9)	(4,727)	(3.1)	(1,365)	(2.0)	(2,380)	(2.4)
Profit for the year/period	**23,262**	**19.8**	**31,765**	**20.9**	**9,679**	**14.0**	**12,013**	**12.1**

Non-HKFRS information

	Year ended 31 December		Six months ended 30 June	
	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Profit for the year/period	23,262	31,765	9,679	12,013
Adjustment for:				
Add: listing expenses	3,209	2,696	1,258	5,242
Less: government grants in support of the Listing	—	6,000	—	—
Adjusted profit for the year/period	**26,471**	**28,461**	**10,937**	**17,255**

To supplement our consolidated financial statements which are presented in accordance with HKFRS, we also presented the adjusted profit for the year/period as a non-HKFRS measure. We presented the additional financial measure as it was used by our management to evaluate our financial performance by eliminating the impact of listing expenses and government grants in support of the Listing which are considered not indicative for evaluation of the actual performance of our business. We believe that this non-HKFRS measure provides additional information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as our management did and in comparing financial results across the Track Record Period.

Revenue

We generated revenue during the Track Record Period from the sale of energy-efficient safety glass products, including coated glass, insulating glass, laminated glass and tempered glass, and smart glass product. Our revenue for the years ended 31 December 2017 and 2018 and the six months ended 30 June 2018 and 2019 was RMB117.6 million, RMB152.3 million, RMB69.1 million and RMB99.1 million, respectively. The following table sets forth the components of our revenue by product for the periods indicated:

	Year ended 31 December				Six months ended 30 June			
	2017		2018		2018		2019	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000* (Unaudited)	*%*	*RMB'000*	*%*
Coated glass	44,615	37.9	62,570	41.1	21,396	31.0	33,970	34.3
Insulating glass	28,118	23.9	39,801	26.1	24,382	35.3	42,802	43.2
Laminated glass	11,543	9.8	9,952	6.5	4,631	6.7	6,626	6.7
Tempered glass	16,079	13.7	4,042	2.7	2,344	3.4	7,094	7.2
Energy-efficient safety glass products	100,355	85.3	116,365	76.4	52,752	76.4	90,492	91.3
Smart glass product	17,580	15.0	36,206	23.8	16,444	23.8	8,793	8.9
Less: Sales taxes and levies	(303)	(0.3)	(274)	(0.2)	(121)	(0.2)	(186)	(0.2)
Total revenue	**117,632**	**100.0**	**152,297**	**100.0**	**69,075**	**100.0**	**99,099**	**100.0**

The table below sets forth the components of our sales volume and average selling price by product for the periods indicated:

	Year ended 31 December				Six months ended 30 June			
	2017		2018		2018		2019	
	Sales volume	Average selling price per m^2	Sales volume	Average selling price per m^2	Sales volume	Average selling price per m^2	Sales volume	Average selling price per m^2
	m^2	*RMB*	*m^2*	*RMB*	*m^2*	*RMB*	*m^2*	*RMB*
Coated glass	692,895	64.4	1,379,943	45.3	396,154	54.0	840,443	40.4
Insulating glass	254,888	110.3	297,371	133.8	177,141	137.6	411,040	104.1
Laminated glass	70,167	164.5	58,516	170.1	24,349	190.2	43,963	150.7
Tempered glass	393,050	40.9	91,155	44.4	60,705	38.6	149,075	47.6
Smart glass product	10,126	1,736.1	20,556	1,761.4	10,210	1,610.7	5,586	1,574.2

The sales volume of coated glass increased from 0.7 million m^2 for the year ended 31 December 2017 to 1.4 million m^2 for the year ended 31 December 2018 mainly because of the introduction of two new types of coated glass with upgraded specifications which were processed into coated glass with a sales volume of 0.3 million m^2 in the last quarter of 2018. The sales volume of tempered glass decreased from 0.4 million m^2 for the year ended 31 December 2017 to 0.1 million m^2 for the year ended 31 December 2018 mainly because our customers undertook projects that required less tempered glass in 2018. The sales volume of coated glass increased from 0.4 million m^2 for the six months ended 30 June 2018 to 0.8 million m^2 for the six months ended 30 June 2019 mainly because of the introduction of two new types of coated glass with upgraded specifications which were processed into coated glass with a sales volume of 0.3 million m^2 and 0.5 million m^2, respectively, in the last quarter of 2018 and for the six months ended 30 June 2019. The sales volume of insulating glass increased from 0.2 million m^2 for the six months ended 30 June 2018 to 0.4 million m^2 for the six months ended 30 June 2019 mainly because of the introduction of two new types of coated glass with upgraded specifications which can be processed into insulating glass with a sales volume of 42,000 m^2 and 0.2 million m^2, respectively, in the last quarter of 2018 and for the six months ended 30 June 2019. The sales volume of tempered glass increased from 0.1 million m^2 for the six months ended 30 June 2018 to 0.2 million m^2 for the six months ended 30 June 2019 mainly because our customers undertook projects that required more tempered glass in 2019.

The fluctuations of the average selling price of our products were mainly attributable to the changes in product mix including but not limited to the thickness of our products and partly attributable to the market competition which slightly influenced the pricing of our products. The average selling price of coated glass decreased from RMB64.4 per m^2 for the year ended 31 December 2017 to RMB45.3 per m^2 for the year ended 31 December 2018 mainly because there was an increase in the proportion of our sales volume of thinner coated glass (less than 5 mm) due to our customers' more demand for thinner coated glass, which has a lower selling price, to the total sales volume of coated glass in the second half of 2018. The average selling price of coated glass decreased from RMB54.0 per m^2 for the six months ended 30 June 2018 to RMB40.4 per m^2 for the six months ended 30 June 2019 mainly because there was an increase in the proportion of our sales volume of thinner coated glass (less than 5 mm) due to our customers' more demand for thinner coated glass, which has a lower selling price, to the total sales volume of coated glass in the second half of 2018. The average selling price of insulating glass increased from RMB110.3 per m^2 for the year ended 31 December 2017 to RMB133.8 per m^2 for the year ended 31 December 2018 mainly because of an increase in the sales volume of Low-E insulating glass which has a higher selling price compared with other types of insulating glass. The average selling price of insulating glass decreased from RMB137.6 per m^2 for the six months ended 30 June 2018 to RMB104.1 per m^2 for the six months ended 30 June 2019 mainly because there was an increase in the proportion of our sales volume of thinner insulating glass (less than 5 mm) due to our customers' more demand for thinner insulating glass, which has a lower selling price, to the total sales volume of insulating glass in the second half of 2018. The average selling price of laminated glass decreased from RMB190.2 per m^2 for the six months ended 30 June 2018 to RMB150.7 per m^2 for the six months ended 30 June 2019 mainly because of a decrease in the sales volume of fireproof laminated glass which has a higher selling price compared with other types of laminated glass, as confirmed by HCR. The average selling price of smart glass product decreased from RMB1,610.7 per m^2 for the six months ended 30 June 2018 to RMB1,574.2 per m^2 for the six months ended 30 June 2019 mainly because of a decrease in the proportion of our sales volume of dimming glass with thickness of 6 mm due to our customers' less demand for dimming glass with thickness of 6 mm, which has a higher selling price compared with the remaining thinner dimming glass (with 4.7 mm and 5 mm thickness) to the total sales volume of dimming glass for the six months ended 30 June 2019.

The table below sets forth the components of revenue, sales volume and average selling price of our products by thickness for the periods indicated:

	Year ended 31 December						Six months ended 30 June						
	2017			2018			2018			2019			
	Revenue	Sales volume	Average selling price per m^2	Revenue	Sales volume	Average selling price per m^2	Revenue	Sales volume	Average selling price per m^2	Revenue	Sales volume	Average selling price per m^2	Average market price per m^2 during the Track Record Period
	RMB'000	*m^2*	*RMB*	*RMB'000*	*m^2*	*RMB*	*RMB'000*	*m^2*	*RMB*	*RMB'000*	*m^2*	*RMB*	*RMB*
Coated glass													
Less than 6 mm . . .	43,996	686,507	64.1	62,389	1,377,673	45.3	21,380	396,032	54.0	33,236	827,483	40.2	39-50
More than 6 mm . . .	620	6,389	97.1	181	2,271	79.8	16	122	127.7	734	12,959	56.6	>50
Insulating glass													
Less than 6 mm . . .	26,889	248,852	108.1	38,077	288,107	132.2	24,278	176,672	137.4	41,411	403,319	102.7	100-125 (non-Low-E) 100-185 (Low-E)
More than 6 mm . . .	1,230	6,036	203.7	1,725	9,272	186.0	104	469	220.7	1,391	7,721	180.1	>125 (non-Low-E) >185 (Low-E)
Laminated glass													
Less than 6 mm . . .	10,893	66,565	163.6	9,081	51,235	177.2	4,631	24,349	190.2	5,775	37,840	152.6	160-198
More than 6 mm . . .	650	3,602	180.5	871	7,282	119.6	—	—	—	850	6,123	138.9	>198
Tempered glass													
Less than 6 mm . . .	6,823	229,080	29.8	2,758	71,074	38.8	2,074	56,086	37.0	2,719	67,997	40.0	25-45
More than 6 mm . . .	9,257	163,969	56.5	1,285	20,188	63.6	269	4,619	58.3	4,375	81,078	54.0	>50
Smart glass product													
Less than 6 mm . . .	16,750	9,759	1,716.4	36,206	20,556	1,761.4	16,445	10,210	1,610.7	8,793	5,586	1,574.2	>1,200 (interior construction) >1,700 (optical, outdoor advertising and electronic)
More than 6 mm . . .	829	367	2,261.1	—	—	—	—	—	—	—	—	—	>1,350 (interior construction) >1,900 (optical, outdoor advertising and electronic)

During the Track Record Period, our Group mainly sold the energy-efficient safety glass products with thickness of less than 6 mm and our average selling price of the energy-efficient safety glass of less than 6 mm is comparable to the average market price. The average selling price of our coated glass in 2017 was higher than the average market price mainly because our coating process involved cutting, edging and cleaning of coated glass which increased the production cost of our coated glass and its selling price. The average selling price of our insulating glass in 2018 is higher than the average market price of the insulating glass because we sold both Low-E insulating glass and non-Low-E insulating glass in 2018, and

Low-E insulating glass has a higher average market price than non-Low-E insulating glass. The average selling price of our smart glass product is higher than the average market price as we sold majority of our smart glass product to the customers in the optical, outdoor advertising and electronic industries.

Cost of sales

Our cost of sales primarily consists of raw material costs, staff costs, depreciation and utilities. Our total cost of sales for the years ended 31 December 2017 and 2018 and the six months ended 30 June 2018 and 2019 was RMB81.8 million, RMB109.2 million, RMB50.9 million and RMB70.4 million, representing 69.5%, 71.7%, 73.7% and 71.1%, respectively, of our total revenue. The following table sets forth the components of our cost of sales by nature for the periods indicated:

	Year ended 31 December				**Six months ended 30 June**			
	2017		**2018**		**2018**		**2019**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Raw material costs	80,542	87.6	123,184	91.8	45,397	89.1	76,047	93.3
Depreciation	4,449	4.8	4,449	3.3	2,320	4.6	2,294	2.8
Staff costs	4,348	4.7	4,132	3.1	2,142	4.2	1,942	2.4
Utilities	2,248	2.5	2,354	1.7	1,048	2.1	1,151	1.4
Others[(1)]	396	0.4	83	0.1	71	0.1	49	0.1
Total production costs	**91,983**	**100.0**	**134,202**	**100.0**	**50,978**	**100.0**	**81,483**	**100.0**
Add: Finished goods at beginning of the year	9,753		19,930		19,930		44,951	
Less: Finished goods at end of the year	(19,930)		(44,951)		(19,982)		(55,987)	
Total cost of sales	**81,806**		**109,181**		**50,926**		**70,447**	

Note:

(1) Others include miscellaneous production materials such as belts, equipment accessories and screws.

Our staff costs decreased from RMB4.3 million for the year ended 31 December 2017 to RMB4.1 million for the year ended 31 December 2018 mainly due to a decrease in the number of our production staff from 55 to 46, primarily because we enhanced our production efficiency by optimizing our personnel structure and acquiring production and research and development equipment. Our other costs decreased from RMB0.4 million for the year ended 31 December 2017 to RMB0.1 million for the year ended 31 December 2018 because we purchased fewer auxiliary materials in 2018 as we did not use up the auxiliary materials we purchased in 2017.

The cost of raw materials is the largest component of our total production costs. The proportion of raw material costs of the total production costs increased from 87.6% for the year ended 31 December 2017 to 91.8% for the year ended 31 December 2018 mainly attributable to an increase in our sales volumes of coated glass, insulating glass and dimming glass. The following table sets forth the components of our raw materials for the periods indicated:

	Year ended 31 December				Six months ended 30 June			
	2017		2018		2018		2019	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Float glass	42,111	52.3	60,311	49.0	13,605	30.0	59,310	78.0
Coated glass	27,641	34.3	41,500	33.7	25,295	55.7	12,921	17.0
Fireproof glass	8,417	10.5	7,203	5.8	4,625	10.2	2,503	3.3
Other auxiliary materials	2,373	2.9	14,170	11.5	1,872	4.1	1,313	1.7
Total raw material costs	**80,542**	**100.0**	**123,184**	**100.0**	**45,397**	**100.0**	**76,047**	**100.0**

Gross profit and gross profit margin

As a result of the foregoing factors, our gross profit increased from RMB18.1 million for the six months ended 30 June 2018 to RMB28.7 million for the six months ended 30 June 2019, and our gross profit increased from RMB35.8 million for the year ended 31 December 2017 to RMB43.1 million for the year ended 31 December 2018. Our gross profit margin increased from 26.3% for the six months ended 30 June 2018 to 28.9% for the six months ended 30 June 2019. Our gross profit margin decreased slightly from 30.5% for the year ended 31 December 2017 to 28.3% for the year ended 31 December 2018. The following table sets forth the components of our gross profit and gross profit margin by product for the periods indicated:

	Year ended 31 December				Six months ended 30 June			
	2017		2018		2018		2019	
	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*	*%*
Coated glass	13,771	30.9	17,266	27.6	5,313	24.8	8,896	26.2
Insulating glass	10,330	36.7	11,297	28.4	6,586	27.0	12,792	29.9
Laminated glass	4,586	39.7	2,832	28.5	1,287	27.8	2,252	34.0
Tempered glass	4,143	25.8	1,236	30.6	642	27.4	2,168	30.6
Energy-efficient safety glass products	32,830	32.7	32,631	28.0	13,828	26.2	26,108	28.9
Smart glass product .	3,299	18.8	10,759	29.7	4,442	27.0	2,730	31.1
Less: Sales taxes and levies	(303)	—	(274)	—	(121)	—	(186)	—
Total gross profit/gross profit margin	**35,826**	**30.5**	**43,116**	**28.3**	**18,149**	**26.3**	**28,652**	**28.9**

The gross profit margin of smart glass product increased from 18.8% for the year ended 31 December 2017 to 29.7% for the year ended 31 December 2018 mainly because we offered our customers a discount in early 2017 in order to promote the new smart glass product.

Other net income

Other net income for the years ended 31 December 2017 and 2018 and the six months ended 30 June 2018 and 2019 was RMB7.0 million, RMB8.6 million, RMB1.0 million and RMB0.6 million, respectively. Our other net income mainly consists of government grants, rentals from operating leases, interest income and foreign exchange losses. The following table sets forth the components of our other net income for the periods indicated:

	Year ended 31 December				**Six months ended 30 June**			
	2017		**2018**		**2018**		**2019**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
					(Unaudited)			
Government grants	6,791	97.1	8,426	98.1	918	91.4	488	85.0
Rentals from operating leases	199	2.8	199	2.3	100	10.0	100	17.4
Interest income	9	0.1	4	—[1]	2	0.2	3	0.5
Foreign exchange losses	—	—[1]	(35)	(0.4)	—	—	(3)	(0.5)
Others	(3)	—[1]	(3)	—[1]	(16)	(1.6)	(14)	(2.4)
Total other net income	**6,996**	**100.0**	**8,591**	**100.0**	**1,004**	**100.0**	**574**	**100.0**

Note:

(1) The percentage figure is less than 0.01%.

Sales and marketing expenses

Our sales and marketing expenses consist primarily of travelling expenses, entertainment expenses, and depreciation, exhibition expenses and others. Exhibition expenses represent marketing expenses of industry exhibition. Our sales and marketing expenses decreased from RMB113,000 for the six months ended 30 June 2018 to RMB94,000 for the six months ended 30 June 2019. Our sales and marketing expenses decreased from RMB0.3 million for the year ended 31 December 2017 to RMB0.2 million for the year ended 31 December 2018. The table below sets forth the components of sales and marketing expenses by nature for the periods indicated:

	Year ended 31 December				Six months ended 30 June			
	2017		2018		2018		2019	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Travelling expenses	135	40.6	101	50.0	37	32.7	33	35.1
Entertainment expenses	27	8.1	50	24.8	50	44.2	—	—
Depreciation	22	6.6	49	24.2	24	21.2	24	25.5
Exhibition expenses	128	38.4	—	—	—	—	—	—
Repairment expenses[(1)]	—	—	—	—	—	—	35	37.2
Others	21	6.3	2	1.0	2	1.8	2	2.1
Total sales and marketing expenses	**333**	**100.0**	**202**	**100.0**	**113**	**100.0**	**94**	**100.0**

Note:

(1) Repairment expenses primarily include vehicle repairment expenses.

General and administrative expenses

The table below sets forth the components of general and administrative expenses by nature for the periods indicated:

	Year ended 31 December				Six months ended 30 June			
	2017		2018		2018		2019	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Research and development costs	6,148	48.3	7,707	60.4	3,145	45.6	4,580	33.6
Listing expenses	3,209	25.2	2,696	21.1	1,258	18.2	5,242	38.5
Administrative staff costs	1,327	10.4	1,452	11.4	738	10.7	749	5.5
Depreciation	1,076	8.5	1,193	9.4	411	6.0	414	3.0
Consulting and professional services expenses	323	2.5	22	0.2	—	—	—	—
Assets impairment loss	(308)	(2.4)	(1,135)	(8.9)	718	10.4	392	2.9
Landscaping costs	—	—	—	—	—	—	1,679	12.3
Others	953	7.5	820	6.4	627	9.1	569	4.2
Total general and administrative expenses	**12,728**	**100.0**	**12,755**	**100.0**	**6,897**	**100.0**	**13,625**	**100.0**

Our general and administrative expenses primarily consist of the following:

- Research and development costs — primarily materials and consumables used in research and development activities, salaries, and benefits for research and development personnel, and depreciation and amortization of equipment;
- Listing expenses — professional fees and other fees incurred in connection with the Listing;
- Administrative staff costs — salaries and benefits of our management and administrative staff;
- Depreciation — depreciation of our property, plant and equipment;
- Consulting and professional services expenses — mainly management training fees for corporate governance and accommodation and meal;
- Assets impairment loss — reversal of impairment losses on trade and other receivables;
- Landscaping costs — fees for landscaping workers and materials such as trees and flowers, the purpose of which is to comply with the landscaping requirements of Jieyang Municipal Government and to improve our working environment; and
- Others — insurance expenses and bank charges.

The table below sets forth the breakdown of our research and development costs for the periods indicated:

	Year ended 31 December				Six months ended 30 June			
	2017		2018		2018		2019	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Staff costs	722	11.7	764	9.9	396	12.6	354	7.7
Depreciation and amortization	1,533	24.9	1,644	21.3	766	24.4	992	21.7
Material costs	2,993	48.7	4,858	63.0	1,827	58.1	2,538	55.4
Utilities	252	4.1	262	3.4	116	3.7	128	2.8
Technical development fee	485	7.9	—	—	—	—	500	10.9
Travel expenses	76	1.2	71	0.9	38	1.2	25	0.5
Others	87	1.4	108	1.4	2	0.0	43	0.9
Total	**6,148**	**100.0**	**7,707**	**100.0**	**3,145**	**100.0**	**4,580**	**100.0**

Our material costs increased from RMB3.0 million for the year ended 31 December 2017 to RMB4.9 million for the year ended 31 December 2018 and increased from RMB1.9 million for the six months ended 30 June 2018 to RMB2.5 million for the six months ended 30 June 2019. The increases were because we conducted frequent experiments on the application of polyionic liquid chromotropic material in 2018 and 2019, leading to the increase in the materials consumed. Our technical development fee was incurred because we collaborated with Donghua University in 2017 and we collaborated with a research institute of a national academy in the PRC in 2019. We did not have such collaboration in 2018. Our staff costs for the year ended 31 December 2018 was comparable to those for the six months ended 30 June 2019 despite longer working hours mainly because we reduced the number of staff by optimizing our personnel structure and improving our production efficiency. Our utilities for the year ended 31 December 2018 was comparable to those for the six months ended 30 June 2019 while the working hours of our production facilities increased mainly because we reduced the production of tempered glass, which is more energy-consuming, while increasing the production of less energy-consuming products such as coated glass, insulating glass and laminated glass.

Finance costs

Our finance costs mainly consist of interests on bank loans and borrowings. We had finance costs of RMB3.1 million, RMB2.3 million, RMB1.1 million and RMB1.1 million for the years ended 31 December 2017 and 2018 and the six months ended 30 June 2018 and 2019, respectively.

Income tax

In 2014 and 2017, Hongguang Glass was certified as a "High and New Technology Enterprise," respectively, thereby enabling us to enjoy a preferential income tax rate of 15% from 2014 to 2017 and from 2017 to 2020, respectively. In addition, our research and development costs were qualified for income tax deduction of RMB1.0 million for the year ended 31 December 2017 and RMB1.3 million for the year ended 31 December 2018. Our income tax for the years ended 31 December 2017 and 2018 and the six months ended 30 June 2018 and 2019 was RMB3.4 million, RMB4.7 million, RMB1.4 million and RMB2.4 million, respectively, and our effective tax rate was 12.9%, 13.0%, 12.4% and 16.5%, respectively. As of the Latest Practicable Date, our Directors confirmed that we have paid all relevant taxes and were not subject to any dispute or unsolved tax issues with the relevant tax authorities in China.

Profit for the year/period

As a result of the foregoing factors, we recorded profit for the year of RMB23.3 million and RMB31.8 million for the years ended 31 December 2017 and 2018, respectively, and profit for the period of RMB9.7 million and RMB12.0 million for the six months ended 30 June 2018 and 2019, respectively.

Adjusted profit for the year/period

As a result of excluding listing expenses and government grants in support of the Listing from profit for the year/period, we recorded adjusted profit for the year/period of RMB26.5 million, RMB28.5 million, RMB10.9 million and RMB17.3 million for the years ended 31 December 2017 and 2018 and the six months ended 30 June 2018 and 2019, respectively.

Period-to-Period Comparison of Results of Operations

Six months ended 30 June 2019 compared with six months ended 30 June 2018

Revenue

Our revenue increased by 43.5% from RMB69.1 million for the six months ended 30 June 2018 to RMB99.1 million for the six months ended 30 June 2019. The increase was mainly attributable to: (i) an increase in the sales of coated glass of RMB12.6 million, mainly due to an increase in the number of customers attributable to the introduction of our two new types of coated glass with upgraded specifications, which increased the sales of coated glass by RMB17.3 million for the six months ended 30 June 2019; and (ii) an increase in the sales of insulating glass of RMB18.4 million, mainly due to an increase in the number of both new and repeated customers, principally engaging in the production of construction materials and the provision of construction services, which was attributable to the production of Low-E insulating glass using the two new types of coated glass with upgraded specification which increased the sales of insulating glass by RMB20.5 million for the six months ended 30 June 2019. The increase in revenue for the six months ended 30 June 2019 was offset by a decrease in the sales of smart glass product of RMB7.7 million mainly due to a decrease in the orders made by our customers. The number of customers of our tempered glass was seven and 15, respectively, for the six months ended 30 June 2018 and 2019. The number of customers of our smart glass product was six and six, respectively, for the six months ended 30 June 2018 and 2019.

Cost of sales

Our cost of sales increased by 38.3% from RMB50.9 million for the six months ended 30 June 2018 to RMB70.4 million for the six months ended 30 June 2019. The increase in our cost of sales was mainly driven by the increase in raw material costs of RMB30.7 million, which was in line with the increase in our revenue.

Gross profit and gross profit margin

Our gross profit increased by 57.9% from RMB18.1 million for the six months ended 30 June 2018 to RMB28.7 million for the six months ended 30 June 2019 mainly because of an increase in the gross profit of: (i) insulating glass of RMB6.2 million; and (ii) coated glass of RMB3.6 million, mainly attributable to the increase in the sales of coated glass and insulating glass due to the introduction of two new types of coated glass which can also be processed into insulating glass. The increase in our gross profit was partly offset by a decrease in the gross profit of smart glass product of RMB1.7 million mainly because of a decrease in the sales of our smart glass product, which was due to a decrease in the orders made by our customers.

Our gross profit margin increased from 26.3% for the six months ended 30 June 2018 to 28.9% for the six months ended 30 June 2019 mainly because of an increase in the gross profit margin of: (i) laminated glass because of the increase in the efficiency of the laminating process, which reduced the production cost of laminated glass; and (ii) smart glass product because our improved production technology of smart glass product reduced the production cost of smart glass product with the same specifications.

Other net income

Our other net income decreased by 42.8% from RMB1.0 million for the six months ended 30 June 2018 to RMB0.6 million for the six months ended 30 June 2019 mainly due to a decrease in government grants of RMB0.4 million received from the local government authorities in relation to technical research and development and industrialization. Such government grants are non-recurring in nature.

Sales and marketing expenses

Our sales and marketing expenses decreased by 16.8% from RMB113,000 for the six months ended 30 June 2018 to RMB94,000 for the six months ended 30 June 2019 because we did not incur entertainment expenses for the six months ended 30 June 2019.

General and administrative expenses

Our general and administrative expenses increased by 97.5% from RMB6.9 million for the six months ended 30 June 2018 to RMB13.6 million for the six months ended 30 June 2019 mainly due to: (i) an increase in listing expenses of RMB4.0 million; and (ii) an increase in research and development costs for electrochromic glass of RMB1.4 million. In addition, we incurred landscaping expenses of RMB1.7 million for the six months ended 30 June 2019.

Finance costs

Our finance costs remained stable at RMB1.10 million for the six months ended 30 June 2018 and RMB1.11 million for the six months ended 30 June 2019.

Income tax

Our income tax increased by 74.4% from RMB1.4 million for the six months ended 30 June 2018 to RMB2.4 million for the six months ended 30 June 2019 mainly due to an increase in profit from operations. For the six months ended 30 June 2018 and 2019, our effective tax rate was 12.4% and 16.5%, respectively.

Profit for the period

As a result of the foregoing factors, our profit for the period increased by 24.1% from RMB9.7 million for the six months ended 30 June 2018 to RMB12.0 million for the six months ended 30 June 2019 mainly due to an increase in our revenue. Our net profit margin decreased from 14.0% for the six months ended 30 June 2018 to 12.1% for the six months ended 30 June 2019 mainly due to a decrease in government grants and an increase in general and administrative expenses.

Adjusted profit for the period

Our adjusted profit for the period increased by 57.8% from RMB10.9 million for the six months ended 30 June 2018 to RMB17.3 million for the six months ended 30 June 2019 mainly due to an increase in revenue for the same period.

Year ended 31 December 2018 compared with year ended 31 December 2017

Revenue

Our revenue increased by 29.5% from RMB117.6 million for the year ended 31 December 2017 to RMB152.3 million for the year ended 31 December 2018. The increase in our revenue was mainly attributable to: (i) an increase in the sales of coated glass of RMB18.0 million and insulating glass of RMB11.7 million mainly due to an increase in the number of both new and repeated customers, principally engaging in the production of construction materials and the provision of construction services, and sales volumes of coated glass and insulating glass attributable to the introduction of two new types of coated glass with upgraded specifications for which we had patents, which increased the sales of coated glass by RMB12.9 million and the sales of insulating glass by RMB4.9 million, respectively, for the year ended 31 December 2018; and (ii) an increase in the sales of smart glass product of RMB18.6 million mainly due to: (a) an increase in the number of our customers and sales volume of our smart glass product especially the dimming glass with thickness of 6 mm in 2018, due to the Guangdong High and New Technology Product Certification we obtained at the end of 2017 which increased the popularity of our smart glass product; and (b) an increase in the proportion of our sales volume of dimming glass with thickness of 6 mm, which has a higher selling price compared with thinner dimming glass (with thickness of 4.7 mm and 5 mm). The increase in revenue for the year ended 31 December 2018 was offset by a decrease in the sales of tempered glass of RMB12.0 million mainly due to a decrease in the number of our customers of tempered glass in 2018 because our customers undertook projects that required less tempered glass but more insulating glass. The number of customers of our tempered glass was 32 and 19, respectively, for the years ended 31 December 2017 and 2018. The number of customers of our smart glass product was 22 and 27, respectively, for the years ended 31 December 2017 and 2018.

Cost of sales

Our cost of sales increased by 33.5% from RMB81.8 million for the year ended 31 December 2017 to RMB109.2 million for the year ended 31 December 2018. The increase in our cost of sales of RMB27.4 million was mainly driven by the increase in raw material costs of RMB42.6 million, which was in line with the increase in our revenue.

Gross profit and gross profit margin

Our gross profit increased by 20.3% from RMB35.8 million for the year ended 31 December 2017 to RMB43.1 million for the year ended 31 December 2018, which was attributable to an increase in the gross profit of: (i) coated glass of RMB3.5 million; (ii) insulating glass of RMB1.0 million; and (iii) smart glass product of RMB7.5 million, mainly due to an increase in the sales of coated glass, insulating glass and smart glass product, respectively, which was offset by a decrease in the gross profit of: (i) tempered glass of RMB2.9 million mainly due to a decrease in the sales of tempered glass due to a decrease in sales volume; and (ii) laminated glass of RMB1.8 million.

The fluctuations of our gross profit margins were mainly attributable to the market competition, which largely influenced the pricing of our products. For more information, see "Business — Sales and Marketing." Our gross profit margin decreased slightly from 30.5% for the year ended 31 December 2017 to 28.3% for the year ended 31 December 2018 mainly attributable to: (i) a decrease in the gross profit margin of coated glass mainly due to a decrease in the market price of coated glass for the year ended 31 December 2018 because of the market competition which led to a slight decrease in the market price of Low-E glass; (ii) a decrease in the gross profit margin of insulating glass mainly due to the increase in the production costs, which was mainly because we sold more Low-E insulating glass that had a higher production cost and which we did not pass to our customers because we wanted to maintain the price competitiveness of our Low-E insulating glass in order to obtain more orders; and (iii) a decrease in the gross profit margin of laminated glass mainly due to a decrease in the market price of fireproof laminated glass, which was mainly because of the market competition which led to a decrease in the market price of fireproof laminated glass.

Other net income

Our other net income increased by 22.8% from RMB7.0 million for the year ended 31 December 2017 to RMB8.6 million for the year ended 31 December 2018 primarily attributable to an increase in government grants received from the local government authorities in support of the Listing of RMB6.0 million. According to the Notice on the Policies of Supporting the Listing of Enterprises (《關於扶持企業上市發展的若干政策措施的通知》), issued by the Jieyang Rongcheng District Municipal Government on 20 December 2018, an enterprise will be granted RMB6.0 million in support of the Listing one year after it signs the engagement letter with its sponsor. The enterprise will be further granted RMB10.0 million after the Listing.

Sales and marketing expenses

Our sales and marketing expenses decreased from RMB0.3 million for the year ended 31 December 2017 to RMB0.2 million as we did not incur marketing expenses for industry exhibition for the year ended 31 December 2018.

General and administrative expenses

Our general and administrative expenses increased slightly from RMB12.7 million for the year ended 31 December 2017 to RMB12.8 million for the year ended 31 December 2018 primarily attributable to an increase in research and development costs for electrochromic glass, which was offset by the reversal of impairment losses on trade and other receivables. Our reversal of impairment losses amounted to RMB0.3 million and RMB1.1 million, respectively, for the years ended 31 December 2017 and 2018 mainly because we recorded an increase in our trade debtors and bills receivables recovered from our customers, which was attributable to our enhanced efforts to collect trade debtors and bills receivables during the Track Record Period.

Finance costs

Our finance costs decreased by 26.2% from RMB3.1 million for the year ended 31 December 2017 to RMB2.3 million for the year ended 31 December 2018 primarily attributable to a decrease in average bank loan balance for the year ended 31 December 2018.

Income tax

Our income tax expenses increased by 37.5% from RMB3.4 million for the year ended 31 December 2017 to RMB4.7 million for the year ended 31 December 2018 primarily attributable to an increase in profit from operations. For the years ended 31 December 2017 and 2018, our effective tax rate remained stable at 12.9% and 13.0%, respectively.

Profit for the year

As a result of the foregoing factors, our profit for the year increased by 36.6% from RMB23.3 million for the year ended 31 December 2017 to RMB31.8 million for the year ended 31 December 2018 mainly due to an increase in our revenue and government grants received mainly in support of the Listing. Our net profit margin remained stable at 19.8% and 20.9% for the year ended 31 December 2017 and 2018, respectively.

Adjusted profit for the year

Our adjusted profit for the year increased by 7.5% from RMB26.5 million for the year ended 31 December 2017 to RMB28.5 million for the year ended 31 December 2018 mainly due to an increase in revenue for the same period.

Liquidity and Capital Resources

Cash flow

The following table sets forth a selected summary of our consolidated cash flow statements for the periods indicated:

	Year ended 31 December		Six months ended 30 June	
	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Cash and cash equivalents at 1 January	2,899	661	661	2,246
Operating profit before changes in working capital	36,833	46,080	15,758	19,269
Net cash generated from/(used in) operating activities	16,194	14,703	(4,203)	(28)
Net cash generated from/(used in) investing activities	376	(18,514)	(14)	(165)
Net cash (used in)/generated from financing activities	(18,808)	5,396	6,816	1,992
Cash and cash equivalents at 31 December/ 30 June	**661**	**2,246**	**3,260**	**4,045**

Net cash generated from/(used in) operating activities

For the six months ended 30 June 2019, we had net cash used in operating activities of RMB28,000. Our cash outflow was attributable to income tax paid of RMB3.4 million. Negative changes in working capital consisted of: (i) an increase in inventories of RMB14.6 million due to an increase in finished goods stored at our warehouse as of 30 June 2019 for subsequent delivery and sales in the last two quarters of 2019; and (ii) an increase in trade and other receivables of RMB17.2 million due to an increase in prepayments to our suppliers for the raw materials purchased. Such negative changes were offset by an increase in trade and other payables of RMB15.9 million. For the six months ended 30 June 2018, we had net cash used in operating activities of RMB4.2 million. Our cash outflow was mainly attributable to income tax paid of RMB2.2 million. Negative changes in working capital mainly consisted of an increase in trade and other receivables of RMB24.8 million due to an increase in trade receivables primarily attributable to an increase in our sales, offset by an increase in trade and other payables of RMB7.5 million.

For the year ended 31 December 2018, we had net cash generated from operating activities of RMB14.7 million. Our cash inflow was primarily attributable to cash generated from operations of RMB17.1 million, which was offset by income tax paid of RMB2.4 million. Our income tax payment during the year ended 31 December 2018 amounted to RMB2.4 million which was lower than our income tax payable of RMB4.5 million as of 31 December 2017 mainly because the responsible personnel misinterpreted certain income and events were subject to the tax exemption and might have mistakenly calculated the taxable income in filing of tax returns for the respective financial years prior to the Track Record Period which resulted in possible underpayment of income tax. It was mainly due to: (i) a possible EIT shortfall of approximately RMB1.3 million regarding certain government grant income received, as we are not aware that we may not fully satisfy the criteria of tax exemption for part of the government grant income we received; (ii) a possible EIT shortfall of approximately RMB0.7 million of miscalculation the cost of sales after the reconciliation of purchases and account payable with a supplier; and (iii) a possible EIT shortfall of approximately RMB0.5 million of the other income received from the lawsuit against two customers as we are not aware that such income should be included as a taxable income item. In view of this, we have conducted an interview with an official from the Jieyang Rongcheng Tax Bureau, and the official reviewed our list of reconciliations of the respective financial years and confirmed that: (i) we are not required to submit the re-filing, repay such difference or take any other remedial action; and (ii) no administrative penalty or other penalty or late charge had been or will be imposed by relevant government authorities on our Group for the aforesaid incident. Given that there is a possibility that the shortfall tax payment shall be paid, we still record such income tax payable difference as provision in our financial statements. Our Directors are of the view, and the Sole Sponsor concurs, that the incident will not have a material adverse impact on our business or results of operation because: (i) we have made the provisions in connection with the incident for the relevant periods; (ii) our Controlling Shareholders have undertaken that in the event that we receive requests from relevant government authorities to pay any late charge or penalty as a result of the aforesaid incident, our Controlling Shareholders will indemnify us on any late charge and penalty imposed by relevant government authorities; (iii) our PRC Legal Advisers advised that the risk of repayment, late charge and penalty that will be imposed on us is minimal; (iv) our PRC Legal Advisers advised that the official is entitled and responsible to provide the tax advice on the tax position of our Group on behalf of the tax authority; and (v) we have adopted certain enhanced internal control measures to prevent recurrence of the incident. Our cash generated from operations primarily consisted of profit before taxation of RMB36.5 million, adjusted by reconciliation of certain items, primarily including depreciation of RMB7.2 million and finance costs of RMB2.3 million. Negative changes in working capital consisted of: (i) an increase in inventories of RMB29.2 million mainly due to an increase in finished goods stored at our warehouse as of 31 December 2018 for subsequent delivery and sales in the first two quarters of 2019; and (ii) a decrease in trade and other payables of RMB1.2 million. Such negative changes were partly offset by a decrease in trade and other receivables of RMB1.4 million.

For the year ended 31 December 2017, we had cash generated from operating activities of RMB16.2 million. Our cash inflow was primarily attributable to cash flow from operations of RMB19.0 million, which was offset by income tax paid of RMB2.8 million. Our cash flow from operations primarily consisted of profit before taxation of RMB26.7 million, adjusted by reconciliation of certain items, primarily including depreciation of RMB7.0 million and finance costs of RMB3.1 million. Negative changes in working capital mainly consisted of: (i) a decrease in trade and other payables of RMB22.8 million; and (ii) an increase in inventories of RMB14.2 million due to an increase in finished goods stored at our warehouse as of 31 December 2017 for delivery in the first two quarters of 2018 and our increased purchase of raw materials due to an expected increase in sales and production volumes for the year ended 31 December 2018. Such negative changes were partly offset by a decrease in trade and other receivables of RMB19.2 million.

Net cash generated from/(used in) investing activities

For the six months ended 30 June 2019, our net cash used in investing activities was RMB0.2 million. Our net cash outflow mainly consisted of payment for purchase of property, plant and equipment of RMB4.6 million, which was offset by proceeds from repayment of loans to Directors of RMB4.4 million.

For the year ended 31 December 2018, our net cash used in investing activities was RMB18.5 million. Our net cash outflow from investing activities primarily consisted of: (i) payment for purchase of property, plant and equipment of RMB5.5 million mainly for developing various single-silver Low-E glass; and (ii) loans to Mr. Wei of RMB13.0 million.

For the year ended 31 December 2017, our net cash generated from investing activities was RMB0.4 million. Our net cash inflow from investing activities consisted of proceeds from repayment of advance to third parties of RMB2.5 million, which was offset by payment for purchases of property, plant and equipment of RMB2.1 million.

Net cash (used in)/generated from financing activities

For the six months ended 30 June 2019, our net cash generated from financing activities was RMB2.0 million. Our net cash inflow mainly consisted of: (i) proceeds from banks loans of RMB36.0 million; and (ii) advance from related parties of RMB5.0 million, which were offset by: (i) repayment of bank loans of RMB35.0 million; (ii) repayment of advanced from related parties of RMB2.9 million; and (iii) interest paid of RMB1.1 million.

For the year ended 31 December 2018, our net cash generated from financing activities was RMB5.4 million. Our net cash generated from financing activities consisted of: (i) proceeds from bank loans of RMB38.0 million; (ii) issuance of shares of RMB11.5 million for the pre-IPO Investments; and (iii) advance from related parties of RMB8.3 million, which were offset by: (i) repayment of bank loans of RMB40.0 million; (ii) repayment of advance from related parties of RMB10.2 million; and (iii) interest paid of RMB2.3 million.

For the year ended 31 December 2017, our net cash used in financing activities was RMB18.8 million. Our net cash outflow from financing activities mainly consisted of: (i) repayment of bank loans of RMB66.3 million; (ii) repayment of advance from a third party, Jieyang Hongfu Glass Co., Ltd. ("**Jieyang Hongfu**"), of RMB5.8 million; and (iii) interest paid of RMB3.4 million, which were partially offset by: (i) proceeds from bank loans of RMB51.6 million; (ii) advance from a third party, Jieyang Hongfu, of RMB3.7 million; and (iii) advance from related parties of RMB2.2 million.

Jieyang Hongfu, a company established in the PRC with limited liability on 12 August 1999, was then owned as to 60% and 40% by Mr. Wei and Ms. Liu, respectively. In November 2014, Mr. Wei and Ms. Liu transferred their entire equity interest in Jieyang Hongfu to Mr. Zheng Xubin and a third party, Mr. Chen Shaoqiong, in order to concentrate on the management of Hongguang Glass. In May 2017, Mr. Zheng Xubin transferred his entire equity interest in Jieyang Hongfu to a third party, Mr. Zheng Xiaoping, in order to concentrate on the operation of Hongguang Glass and avoid conflicts of interests. Since then, Jieyang Hongfu has been an Independent Third Party. As of the Latest Practicable Date, Jieyang Hongfu did not have any relationship, including but not limited to, employment, trust, financing and family relationship, with our Group or any of our Directors, Shareholders, senior management and/or their respective associates. It mainly engages in the production and sales of glass products and metal products. We obtained financing from Jieyang Hongfu in order to fund our business operations. The major terms for the advance of RMB3.7 million we obtained in January 2017 are: (i) no interest was required for the advance; (ii) the advance was unsecured; and (iii) the maturity date of the advance was 31 December 2017. All the contracts for the provision of financing and guarantee were signed before Jieyang Hongfu became an Independent Third Party in May 2017 and we have not entered into any new contract or agreement since then. The current provisions of guarantee are prescribed in the contracts we entered into before May 2017 and no fees are charged for the guarantee services provided by Jieyang Hongfu. As of the Latest Practicable Date, we have terminated all the financing and guarantee agreements with Jieyang Hongfu.

Working capital

Taking into account the financial resources available to us, including net cash generated from operating activities, interest-bearing bank loans and proceeds from the Share Offer, our Directors are of the view, and the Sole Sponsor concurs, that we have sufficient working capital for the present requirements and for at least the next 12 months from the date of this Prospectus. Other than normal bank borrowings that we may obtain from commercial banks, we do not expect to have any material external debt financing plan in the near future.

Discussion of Certain Items from the Statement of Financial Position

Non-current assets

The following table sets out our consolidated statements of financial position extracted from the Accountants' Report set out in Appendix I to this Prospectus:

	As of 31 December		As of 30 June
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Property, plant and equipment	52,106	49,666	50,038
Right-of-use assets	1,933	1,816	1,758
Deferred tax assets	2,242	2,345	2,435
	56,281	53,827	54,231

Our property, plant and equipment mainly included the net book value of machineries and equipment of our Xianqiao Plant. The right-of-use assets represent cost of land use rights located in the PRC with a lease period of 22 to 50 years when granted.

Net current assets

	As of 31 December		As of 30 June	As of 31 October
	2017	2018	2019	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)
Current assets				
Inventories	30,812	59,972	74,524	73,395
Trade and other receivables	19,085	30,717	34,828	52,284
Cash and cash equivalents	661	2,246	4,045	3,716
	50,558	92,935	113,397	129,395
Current liabilities				
Bank loans	(31,000)	(29,000)	(30,000)	(39,000)
Trade and other payables	(16,364)	(17,189)	(20,114)	(11,827)
Contract liabilities	(1,948)	(2,873)	(9,176)	(4,346)
Income tax payable	(4,460)	(6,922)	(6,015)	(10,824)
	(53,772)	(55,984)	(65,305)	(65,997)
Net current (liabilities)/assets	**(3,214)**	**36,951**	**48,092**	**63,398**

Net current (liabilities)/assets

Our net current assets increased from RMB37.0 million as of 31 December 2018 to RMB48.1 million as of 30 June 2019 mainly due to: (i) an increase in our inventories of RMB14.6 million due to an increase in finished goods stored at our warehouse as of 30 June 2019 for subsequent delivery and sales in the last two quarters of 2019; and (ii) an increase in our trade and other receivables of RMB4.1 million, partially offset by: (i) an increase in our contract liabilities of RMB6.3 million; and (ii) an increase in our trade and other payables of RMB2.9 million. We had net current assets of RMB37.0 million as of 31 December 2018, as compared to our net current liabilities of RMB3.2 million as of 31 December 2017, primarily attributable to: (i) an increase in inventories of RMB29.2 million mainly due to an increase in finished goods stored at our warehouse as of 31 December 2018 for subsequent delivery and sales in the first two quarters of 2019; and (ii) an increase in trade and other receivables of RMB11.6 million mainly due to an increase in non-trade amounts due from related parties of RMB13.0 million, which were partly offset by: (i) a decrease in bank loans of RMB2.0 million; (ii) an increase in income tax payable of RMB2.5 million; and (iii) an increase in trade and other payables of RMB0.8 million due to an increase in salary payables and payables for professional fees related to the preparation for the Listing. As of 31 October 2019, our net current assets increased to RMB63.4 million. The increase was primarily attributable to: (i) an increase in trade and other receivables of RMB17.5 million; and (ii) a decrease in trade and other payables of RMB8.3 million which were partly offset by an increase in bank loans of RMB9.0 million and an increase in contract liabilities of RMB4.8 million.

Inventories

Our inventories comprise raw materials and finished goods. The table below sets forth our inventory balances as of the dates indicated:

	As of 31 December		As of 30 June
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	10,882	15,021	18,537
Finished goods	19,930	44,951	55,987
Total inventories	**30,812**	**59,972**	**74,524**

The balance of our inventories increased by 94.6% from RMB30.8 million as of 31 December 2017 to RMB60.0 million as of 31 December 2018, mainly attributable to an increase in finished goods stored at our warehouse as of 31 December 2018 for subsequent delivery and sales in the first two quarters of 2019. The balance of our inventories increased by 24.3% from RMB60.0 million as of 31 December 2018 to RMB74.5 million as of 30 June 2019, mainly due to an increase in finished goods stored at our warehouse as of 30 June 2019 for subsequent delivery and sales in the last two quarters of 2019, which was mainly because of: (i) an increase in orders placed by our customers for the six months ended 30 June 2019, covering RMB30.5 million of the inventories; and (ii) our preparation for the anticipated larger purchases by our customers in the second half of 2019 than that in the first half of 2019, covering RMB25.5 million of the inventories, and to maintain a sufficient stock level to satisfy the instant need of our potential customers for the following months as our production is expected to be maintained at a minimal level in summer in light of the technical constraint of our machineries to operate for long hours under the hot weather.

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

	Year ended 31 December		Six months ended 30 June
	2017	2018	2019
Average inventories *(RMB'000)*[(1)]	23,732	45,392	67,248
Average turnover days of inventories *(days)*[(2)]	105.9	151.7	171.8

Notes:

(1) Average inventories are calculated as inventories at the beginning of the period plus inventories at the end of the period, divided by two.

(2) Average turnover days of inventories for a period equal average inventories divided by cost of sales for the period and multiplied by 365 for a 12-month period or 180 for a six-month period.

Our average turnover days of inventories increased from 105.9 days for the year ended 31 December 2017 to 151.7 days for the year ended 31 December 2018 mainly attributable to an increase in finished goods stored at our warehouse as of 31 December 2018 for subsequent delivery and sales in the first two quarters of 2019. Our average turnover days of inventories increased to 171.8 days for the six months ended 30 June 2019 mainly due to an increase in finished goods stored at our warehouse as of 30 June 2019 for subsequent delivery and sales in the last two quarters of 2019.

As of the Latest Practicable Date, RMB44.8 million, or 80.0%, of our finished goods and RMB13.8 million, or 74.6%, of our raw materials as of 30 June 2019 were subsequently utilized.

Trade and other receivables

The table below sets forth the components of our trade and other receivables as of the dates indicated:

	As of 31 December		As of 30 June
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Trade debtors and bills receivables, net of loss allowance	12,034	6,598	14,050
Amounts due from related parties — non-trade	132	13,126	—
Financial assets measured at amortised cost	12,166	19,724	14,050
Prepayments	6,919	10,993	20,778
Total trade and other receivables	**19,085**	**30,717**	**34,828**

Our total trade and other receivables increased from RMB19.1 million as of 31 December 2017 to RMB30.7 million as of 31 December 2018 mainly due to: (i) an increase in non-trade amounts due from related parties of RMB13.0 million; and (ii) an increase in prepayments of RMB4.1 million, which was partly offset by a decrease in trade debtors and bills receivables of RMB5.4 million. Our total trade and other receivables increased from RMB30.7 million as of 31 December 2018 to RMB34.8 million as of 30 June 2019, mainly due to: (i) an increase in trade debtors and bills receivables of RMB7.5 million; and (ii) an increase in prepayments of RMB9.8 million, which was partly offset by a decrease in non-trade amounts due from related parties of RMB13.1 million, which had been fully settled by Mr. Wei as of 30 June 2019.

Our trade debtors and bills receivables represented outstanding balances due from our customers. Our trade debtors and bills receivables are non-interest-bearing. Our trade debtors and bills receivables decreased from RMB15.4 million as of 31 December 2017 to RMB8.8 million as of 31 December 2018 primarily attributable to the settlements by our customers before the year end of 2018. Our trade debtors and bills receivables increased to RMB16.7 million as of 30 June 2019 primarily attributable to an increase in our sales.

Our prepayments, mainly for purchasing raw materials, increased from RMB6.9 million as of 31 December 2017 to RMB11.0 million as of 31 December 2018 primarily attributable to our increased purchase of raw materials due to an expected increase in our sales and production volumes in 2019. Our prepayments further increased to RMB20.8 million as of 30 June 2019 primarily attributable to our immediate payments for the raw materials to our suppliers in May and June 2019.

Our non-trade amounts due from related parties which consist of short-term borrowings to Controlling Shareholder, increased from RMB0.1 million as of 31 December 2017 to RMB13.1 million as of 31 December 2018 mainly due to loans to Mr. Wei of RMB13.0 million. The amounts due from related parties are unsecured, non-interest bearing and repayable on demand. Our Directors confirm that the amounts due from related parties have been fully settled as of 30 June 2019. For more information on amounts due from related parties, see "— Material Related Party Transactions."

The table below sets forth the aging analysis of trade debtors and bills receivables, based on the invoice date and net of loss allowance, as of the dates indicated:

	As of 31 December		As of 30 June
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	7,245	4,541	13,807
More than 3 months but less than 6 months	1,438	2,371	924
More than 6 months	6,735	1,935	1,960
Trade and bills receivables	15,418	8,847	16,691
Less: Allowance for doubtful debts	(3,384)	(2,249)	(2,641)
Trade and bills receivables, net	**12,034**	**6,598**	**14,050**

During the Track Record Period and up to May 2019, we did not stipulate credit period in our sales contracts, but in practice, we typically demanded our trade debtors and bills receivables in three months on the basis of individual credit assessments. Since May 2019, we have set out credit period of two months in our sales contracts.

As of 31 December 2017 and 2018 and 30 June 2019, our trade debtors and bills receivables of RMB1.9 million, RMB1.9 million and RMB1.9 million were determined to be individually impaired, respectively. The individually impaired receivables related to customers that were in financial difficulties and management assessed that these receivables are irrecoverable.

The following table sets forth the average turnover days of our trade debtors and bills receivables for the periods indicated:

	Year ended 31 December		Six months ended 30 June
	2017	**2018**	**2019**
Average trade debtors and bills receivables *(RMB'000)*[1] .	21,221	9,316	10,324
Average turnover days of trade debtors and bills receivables *(days)*[2]	65.8	22.3	18.8

Notes:

(1) Average trade debtors and bills receivables are calculated as trade debtors and bills receivables, net of loss allowance at the beginning of the period plus trade debtors and bills receivables, net of loss allowance at the end of the period, divided by two.

(2) Average turnover days of trade debtors and bills receivables for a period equal average trade debtors and bills receivables, net of loss allowance divided by revenue for the period and multiplied by 365 for a 12-month period or 180 for a six-month period.

Our average turnover days of our trade debtors and bills receivables decreased from 65.8 days for the year ended 31 December 2017 to 22.3 days for the year ended 31 December 2018 mainly attributable to an increase in the settlements by our customers before the year end of 2018. Our average turnover days of our trade debtors and bills receivables decreased to 18.8 days for the six months ended 30 June 2019 mainly because we have set out credit period of two months in our sales contracts since May 2019.

As of the Latest Practicable Date, RMB13.5 million, or 80.9%, of our trade debtors and bills receivables as of 30 June 2019 were subsequently settled.

Trade and other payables

The following table sets forth the components of our trade and other payables as of the dates indicated:

	As of 31 December		As of 30 June
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	870	752	4,172
Other payables and accruals	4,168	6,886	11,836
Amounts due to related parties — non-trade	11,326	9,551	4,106
Total trade and other payables	**16,364**	**17,189**	**20,114**

Our total trade and other payables increased from RMB16.4 million as of 31 December 2017 to RMB17.2 million as of 31 December 2018 mainly due to an increase in other payables and accruals of RMB2.7 million, which was partially offset by a decrease in non-trade amounts due to related parties of RMB1.8 million. Our total trade and other payables increased from RMB17.2 million as of 31 December 2018 to RMB20.1 million as of 30 June 2019, mainly due to: (i) an increase in other payables and accruals of RMB5.0 million; and (ii) an increase in trade payables of RMB3.4 million, which was partly offset by a decrease in non-trade amounts due to related parties of RMB5.4 million.

Our trade payables represent outstanding balances due to our suppliers. Our trade payables are non-interest-bearing. Our trade payables remained stable at RMB0.9 million as of 31 December 2017 and RMB0.8 million as of 31 December 2018.

The following table sets forth the components of our total other payables and accruals as of the dates indicated:

	As of 31 December		As of 30 June
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Salary payables	1,693	3,070	3,100
Payables for listing expense	1,574	2,643	6,708
Tax payables	843	849	507
Other payables	58	324	1,521(1)
Total other payables and accruals	**4,168**	**6,886**	**11,836**

Note:

(1) Other payables here include government grants that have not been inspected by the local government authorities of RMB500,000.

Our other payables and accruals increased from RMB4.2 million as of 31 December 2017 to RMB6.9 million as of 31 December 2018 primarily attributable to an increase in salary payables mainly due to an increase in the provisions for social insurance and housing provident fund and payables for professional fees related to the preparation for the Listing. For more information, see "Business — Legal and Regulatory Matters — Compliance." Our other payables and accruals further increased to RMB11.8 million as of 30 June 2019 mainly due to an increase in payables for professional fees related to the preparation for the Listing.

Our non-trade amounts due to related parties decreased from RMB11.3 million as of 31 December 2017 to RMB9.6 million as of 31 December 2018 primarily attributable to a decrease in short-term borrowings from Controlling Shareholders which was partially offset by an increase in amount due to Orient Success, who is one of our Pre-IPO Investors. Our non-trade amounts due to related parties further decreased to RMB4.1 million as of 30 June 2019 mainly attributable to the settlement of part of the advances from related parties. For more information on amounts due from related parties, see "— Material Related Party Transactions."

All of our trade and other payables are expected to be settled within one year. Our Directors confirm that during the Track Record Period, we did not have material defaults in any payment of our trade and other payables. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we complied with all material covenants with our suppliers.

The table below sets forth the aging analysis of trade payables, based on the invoice date, as of the dates indicated:

	As of 31 December		As of 30 June
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	78	752	4,071
More than 3 months but less than 6 months	—	—	15
More than 6 months but less than 12 months	792	—	86
Total trade payables	**870**	**752**	**4,172**

The following table sets forth the average turnover days of our trade payables for the periods indicated:

	Year ended 31 December		Six months ended 30 June
	2017	2018	2019
Average trade payables *(RMB'000)*(1)	8,036	811	2,462
Average turnover days of trade payables *(days)*(2)	35.9	2.7	6.3

Notes:

(1) Average trade payables are calculated as trade payables at the beginning of the period plus trade payables at the end of the period, divided by two.

(2) Average turnover days of trade payables for a period equal average trade payables divided by cost of sales for the period and multiplied by 365 for a 12-month period or 180 for a six-month period.

Our average turnover days of our trade payables decreased from 35.9 days for the year ended 31 December 2017 to 2.7 days for the year ended 31 December 2018 primarily due to the settlement of trade payables to suppliers before the year end of 2018. Our average turnover days of our trade and other payables increased to 6.3 days for the six months ended 30 June 2019 mainly because we increased our purchases from suppliers.

As of the Latest Practicable Date, RMB4.1 million, or 97.9%, of our trade payables as of 30 June 2019 were subsequently settled.

Contract liabilities

Contract liabilities represent advance payments received from customers for products that have not yet been transferred to the customers. As of 31 December 2017 and 2018 and 30 June 2019, we recorded contract liabilities of RMB1.9 million, RMB2.9 million and RMB9.2 million, respectively. The amount fluctuates in accordance with the delivery status of our products.

Indebtedness

Loans and borrowings

We mainly used our loans and borrowings to purchase raw materials during the Track Record Period. Our bank loans decreased from RMB31.0 million as of 31 December 2017 to RMB29.0 million as of 31 December 2018, and increased to RMB30.0 million as of 30 June 2019. For the years ended 31 December 2017 and 2018 and the six months ended 30 June 2019, our bank loans bore interest ranging from 5.00% to 5.66%, from 5.87% to 6.53% and from 5.79% to 7.00% per annum, respectively.

Our secured bank loans of RMB31.0 million, RMB29.0 million and RMB30.0 million were secured by property, plant and equipment and guaranteed by a third party, Jieyang Hongfu, as of 31 December 2017 and 2018, and by the Controlling Shareholders as of 31 December 2017 and 2018 and 30 June 2019, respectively.

As of 31 October 2019, being the latest practicable date for determining our indebtedness, our total outstanding bank loans amounted to RMB39.0 million. As of 31 October 2019, all of the outstanding bank loans were guaranteed by our Controlling Shareholders, of which RMB9.0 million were secured by a building for business and dormitory, RMB20.0 million were secured by two buildings for dormitory and comprehensive functions respectively, all of which are owned by Hongguang Glass, and RMB5.0 million were secured by deposits amounting to RMB0.5 million. Such outstanding loans were repayable within one year and bore interest rates ranging from 4.8% to 7.0% on an annual basis. The guarantees will be released before the Listing.

Our bank loan agreements contain standard terms, conditions and covenants that are customary for commercial bank loans in China. Such covenants primarily include requirements for us to obtain the lending bank's prior consent for certain transactions, such as disposal of material assets, merger or consolidation, and liquidation or winding-up. During the Track Record Period, we complied with all the covenants of our bank loans, did not default in any payment of our bank loans, and did not experience any difficulties in obtaining bank loans. In addition, there were no material covenants which limited our ability to undertake additional debt or equity financing during the Track Record Period.

As of 31 October 2019, we had unutilized banking facilities of RMB16.0 million. Since 31 October 2019, being the latest practicable date for determining our indebtedness, there has been no adverse change to our indebtedness.

Contingent liabilities

As of 31 October 2019, we did not have any contingent liabilities.

Lease liabilities

As of 31 October 2019, we did not have any lease liabilities.

Debt securities issued and outstanding

As of 31 October 2019, we did not have any issued or outstanding debt securities.

Capital commitments

Our capital commitments mainly related to purchasing machineries and equipment to upgrade our existing production facilities. The following table sets forth our capital commitments as of the dates indicated:

	As of 31 December		As of 30 June
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Authorized but not contracted for	—	26,000	26,000
Contracted for but not provided for	—	—	892
Total capital commitments	**—**	**26,000**	**26,892**

Key Financial Ratios

The following table sets forth certain key financial ratios as of the dates or for the periods indicated:

	As of or for the year ended 31 December		As of or for the six months ended 30 June
	2017	**2018**	**2019**
Profitability ratio:			
Gross profit margin(1)	30.5%	28.3%	28.9%
Net profit margin(2)	19.8%	20.9%	12.1%
Return on assets(3)	20.3%	25.1%	N/A(9)
Return on equity(4)	68.4%	48.9%	N/A(9)
Liquidity ratio:			
Current ratio(5)	0.9 times	1.7 times	1.7 times
Quick ratio(6)	0.4 times	0.6 times	0.6 times
Solvency ratio:			
Interest coverage ratio(7)	9.7 times	17.2 times	13.9 times
Gearing ratio(8)	68.0%	34.4%	31.2%

Notes:

(1) Gross profit margin is calculated based on gross profit of the particular year/period divided by revenue of the same year/period and multiplied by 100%.

(2) Net profit margin is calculated based on profit for the year/period divided by revenue of the same year/period and multiplied by 100%.

(3) Return on assets is calculated based on profit for the year/period divided by the average total assets of the same year/period and multiplied by 100%.

(4) Return on equity is calculated based on profit for the year/period divided by the average total equity as of the same year/period end and multiplied by 100%.

(5) Current ratio is calculated based on total current assets divided by total current liabilities as of the particular year/period end.

(6) Quick ratio is calculated based on total current assets less inventories divided by total current liabilities as of the particular year/period end.

(7) Interest coverage ratio is calculated based on profit from operations of the particular year/period divided by finance costs of the same year.

(8) Gearing ratio is calculated based on total debt divided by total equity as of the particular year/period end and multiplied by 100%.

(9) Such ratio would not be meaningful as it is not comparable to annual numbers.

Gross profit margin

For more information, see "— Management's Discussion and Analysis of Financial Condition and Results of Operations — Period-to-Period Comparison of Results of Operations — Year ended 31 December 2018 compared with year ended 31 December 2017 — Gross profit and gross profit margin" and "— Management's Discussion and Analysis of Financial Condition and Results of Operations — Period-to-Period Comparison of Results of Operations — Six months ended 30 June 2019 compared with six months ended 30 June 2018 — Gross profit and gross profit margin" in this Prospectus.

Net profit margin

For more information, see "— Management's Discussion and Analysis of Financial Condition and Results of Operations — Period-to-Period Comparison of Results of Operations — Year ended 31 December 2018 compared with year ended 31 December 2017 — Profit for the year" and "— Management's Discussion and Analysis of Financial Condition and Results of Operations — Period-to-Period Comparison of Results of Operations — Six months ended 30 June 2019 compared with six months ended 30 June 2018 — Profit for the period" in this Prospectus.

Return on assets

Return on assets increased from 20.3% for the year ended 31 December 2017 to 25.1% for the year ended 31 December 2018 due to an increase in net profit for the year ended 31 December 2018.

Return on equity

Return on equity decreased from 68.4% for the year ended 31 December 2017 to 48.9% for the year ended 31 December 2018 mainly due to an increase in equity due to the introduction of the Pre-IPO Investors in July 2018, offset by an increase in net profit for the year ended 31 December 2018.

Current ratio

Current ratio increased from 0.9 times as of 31 December 2017 to 1.7 times as of 31 December 2018. The increase in current ratio and quick ratio was primarily due to: (i) an increase in inventories from RMB30.8 million as of 31 December 2017 to RMB60.0 million as of 31 December 2018; (ii) an increase in trade and other receivables from RMB19.1 million as of 31 December 2017 to RMB30.7 million as of 31 December 2018; and (iii) an increase in cash and cash equivalents from RMB0.6 million as of 31 December 2017 to RMB2.2 million as of 31 December 2018. Our current ratio remained stable at 1.7 times as of 30 June 2019.

Quick ratio

Quick ratio remained relatively stable at 0.4 times, 0.6 times and 0.6 times for the years ended 31 December 2017 and 2018 and the six months ended 30 June 2019, respectively.

Gearing ratio

The gearing ratio decreased from 68.0% as of 31 December 2017 to 34.4% as of 31 December 2018 mainly due to an increase in total equity from RMB45.6 million as of 31 December 2017 to RMB84.3 million as of 31 December 2018 due to the introduction of the Pre-IPO Investors in July 2018 while total debt remained stable for the same years. Our gearing ratio decreased to 31.2% as of 30 June 2019 mainly because our total equity increased due to an increase in our undistributed profits while our total debt remained stable.

Interest coverage ratio

The interest coverage ratio increased from 9.7 times for the year ended 31 December 2017 to 17.2 times for the year ended 31 December 2018 mainly attributable to an increase in our profit before interest and tax due to an increase in revenue. Our interest coverage ratio decreased to 13.9 times for the six months ended 30 June 2019 because of a decrease in our profit before interest and tax due to an increase in general and administrative expenses.

Quantitative and Qualitative Analysis of Market Risks

We are exposed to various types of financial risks in the normal course of business, including credit risk, liquidity risk and interest rate risk.

Credit risk

Our credit risk is primarily attributable to trade and other receivables. Our exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks, for which we consider to have low credit risk. The maximum exposure to credit risk regarding the single financial guarantee of a loan made by a bank to a third party, Jieyang Hongfu, of RMB9.3 million for the year ended 31 December 2017. This financial guarantee was released in August 2018. As of the Latest Practicable Date, we did not provide any other guarantees which would expose us to credit risk.

Our exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when we have significant exposure to individual customers. As of 31 December 2017 and 30 June 2019, 8.2% and 27.2% of the total trade receivables was due from our largest customer, respectively. As of 31 December 2018, no trade receivables was due from our largest customer. As of 31 December 2017 and 2018 and 30 June 2019, 28.9%, 29.3% and 37.5% of the total trade receivables was due from our five largest customers, respectively.

Liquidity risk

Our liquidity risk is primarily attributable to the risk that we may not be able to meet our financial obligations as they fall due. To ensure that we will always have sufficient liquidity to meet our liabilities when they fall due, our policy is to regularly monitor our liquidity requirements and our compliance with leading covenants, to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet our short- and long-term liquidity requirements. For further details, please refer to Note 23(b) of the consolidated financial statements included in “Appendix I — Accountants’ Report” in this Prospectus.

Interest rate risk

Our interest rate risk arises primarily from bank loans. Borrowings issued at variable rates and fixed rates expose us to cash flow interest rate risk and fair value interest rate risk, respectively. For further details, please refer to Note 23(c) of the consolidated financial statements included in “Appendix I — Accountants’ Report” in this Prospectus.

Capital Expenditures

Our capital expenditures for the years ended 31 December 2017 and 2018 and the six months ended 30 June 2019 were RMB2.0 million, RMB4.8 million and RMB4.1 million, respectively.

During the Track Record Period, we financed our capital expenditure primarily through cash generated from operating activities, interest-bearing bank loans and government grants.

MATERIAL RELATED PARTY TRANSACTIONS

During the Track Record Period, we had certain related party transactions with Controlling Shareholders, Pre-IPO Investor, member of the key management personnel and companies controlled by Controlling Shareholders.

Borrowing of Loan from/to Related Parties and Repayments of Loans

During the Track Record Period, we recorded advances from related parties and repayments of advances from related parties. For the year ended 31 December 2017, we borrowed from related parties RMB2.2 million to fund our operations and repaid RMB1.3 million. For the year ended 31 December 2018, we borrowed from related parties RMB8.3 million to fund our operations and repaid RMB10.2 million. For the six months ended 30 June 2019, we recorded advances from related parties RMB5.0 million and repayment of advances of RMB10.5 million, which was due to the offsetting arrangements between the related parties and us. During the Track Record Period, we recorded loans to our Directors. For the year ended 31 December 2018, we lent to Mr. Wei RMB13.0 million and received repayment of RMB0.1 million. Our Directors have confirmed that the above transactions have been fully settled as of 30 June 2019.

Balances with Related Parties

The related party transactions during the Track Record Period were unsecured, interest free and with no fixed terms of repayment. Our Directors have confirmed that these related party transactions would not distort our results of operations during the Track Record Period or make our historical results not reflective of our future performance. All amounts due have been fully settled as of 31 August 2019.

The related party transactions during the Track Record Period are also set out in Notes 26 (a) – (e) of the Accountants' Report attached as Appendix I to this Prospectus.

Guarantees Provided by Related Parties

During the Track Record Period, certain of our bank loans were guaranteed by Hongguang Mirror and our Controlling Shareholders. As of 31 December 2017 and 2018 and 30 June 2019, our bank loans that were guaranteed by our related parties amounted to RMB31.0 million, RMB29.0 million and RMB30.0 million, respectively. The guarantees will be released before the Listing.

OFF-BALANCE SHEET ARRANGEMENT

As of the Latest Practicable Date, we did not have any off-balance sheet commitments and arrangements.

DIVIDEND

After the completion of the Share Offer, our Shareholders will be entitled to receive any dividends pro rata according to the Shares they hold unless otherwise stipulated in the Articles of Association. Our Board of Directors is responsible for submitting proposals in respect of dividend payments, if any to the Shareholders' general meeting for approval. Recommendation for dividends is subject to the discretion of our Directors, depending on our results of operations, working capital, financial position, future prospects and capital requirements, as well as any other factors which our Directors may consider relevant. In addition, any declaration and payment as well as the amount of dividend will be subject to the constitutional documents of the Company and the Cayman Islands Companies Law.

No dividends have been declared or paid by us during the Track Record Period. Any future declarations and payments of dividends may or may not reflect the historical declarations. Under applicable PRC laws, our subsidiary in the PRC may only distribute after-tax profits after it has made: (i) allocations or allowances for recovery of accumulated losses; (ii) allocations to the statutory reserves; and (iii) possible allocation to the discretionary reserves. Currently, we do not have any dividend policy or intention to declare or pay any dividends in the near future.

DISTRIBUTABLE RESERVES

As of 30 June 2019, we did not have any distributable reserves available for distribution to our Shareholders.

NO MATERIAL ADVERSE CHANGE

Save as disclosed above and as disclosed in "Business – Legal and Regulatory Matters – Legal Proceedings," during the Track Record Period and up to Latest Practicable Date, we were not involved in any litigation, arbitration or administrative proceedings against us or any of our Directors that would have a material and adverse effect on our financial condition or results of operations. Additionally, as of the Latest Practicable Date, there were no legal, arbitration or administrative proceedings pending or threatened against us or any of our Directors which would be expected to have a material and adverse effect on our financial condition or results of operations.

Our government grants are expected to decrease from RMB8.4 million for the year ended 31 December 2018 to RMB1.0 million for the year ending 31 December 2019. This is mainly because we received a non-recurring fund of RMB6.0 million in support of our Listing in December 2018.

Save as disclosed above, our Directors confirm that there had been no material adverse change in our financial or trading positions since 30 June 2019, being the date of our latest audited consolidated financial statements, and up to the date of this Prospectus.

LISTING EXPENSE

If the Offer Size Adjustment Option is not exercised, the total amount of listing expenses that will be borne by us in connection with the Share Offer, including underwriting commissions, is estimated to be HK$39.1 million (equivalent to RMB35.1 million) (based on the mid-point of the indicative Offer Price range), of which HK$8.5 million (equivalent to RMB7.6 million) is expected to be accounted for as a deduction from equity. The remaining fees and expenses of HK$30.6 million (equivalent to RMB27.5 million) have been or are expected to be charged to our consolidated statements of profit or loss, of which HK$3.6 million (equivalent to RMB3.2 million) and HK$3.0 million (equivalent to RMB2.7 million) was charged for the years ended 31 December 2017 and 2018, respectively. HK$5.8 million (equivalent to RMB5.2 million) was charged for the six months ended 30 June 2019. HK$6.7 million (equivalent to RMB6.0 million) and HK$11.5 million (equivalent to RMB10.3 million) are expected to be charged for the six months ending 31 December 2019 and upon the Listing for the year ending 31 December 2020. The professional fees and/or other expenses related to the preparation for the Listing subsequent to 30 June 2019 are the current estimate for reference only and the actual amount to be recognized is subject to adjustment based on audit and the then changes in variables and assumptions. Our financial performance for the years ending 31 December 2019 and 2020 are expected to be materially and adversely affected by the listing expenses to be charged to our consolidated statements of profit or loss and other comprehensive income in 2019 and 2020.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

For details on unaudited pro forma statement of adjusted net tangible assets, please refer to "Pro Forma Financial Information" in Appendix II in this Prospectus.

DISCLOSURE UNDER RULES 17.15 TO 17.21 OF THE GEM LISTING RULES

Our Directors have confirmed that as of the Latest Practicable Date, there were no circumstances which would have given rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

BUSINESS OBJECTIVES AND STRATEGIES

Our principal business objectives are to enhance our market position in the architectural glass industry in China and pursue domestic expansion to capture future growth opportunities. To achieve such objectives, we intend to implement our business strategies. For more information on our business objectives and strategies, see "Business — Our Business Strategies" in this Prospectus.

IMPLEMENTATION PLANS

We will endeavour to achieve the following milestone events during the period from the Latest Practicable Date to 31 December 2021, and the respective scheduled completion times are based on certain bases and assumptions as set out in "— Bases and Assumptions" in this section. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors as set out in "Risk Factors" in this Prospectus. There is no assurance that our business objectives will be achieved or our future plans will be implemented according to the estimated time frame or at all.

Implementation plan	From the Latest Practicable Date to the six months ending 30 June 2020	For the six months ending 31 December 2020	For the six months ending 30 June 2021	For the six months ending 31 December 2021	Total	Approximate percentage of net proceeds
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*%*
Modify two tempering furnaces and purchase one edge grinding machine	1,610	—	—	—	1,610	6.9
Purchase two vacuum chambers, ten rotating cathodes and ten cathode power supply	5,840	—	—	—	5,840	25.2
Purchase 20 turbomolecular pumps, eight roots vacuum pumps and eight mechanical pumps	3,940	—	—	—	3,940	17.0
Upgrade the coating process of Low-E glass	510	—	—	—	510	2.2
Subtotal for upgrading our production facilities	**11,900**	**—**	**—**	**—**	**11,900**	**51.3**
Repay the bank loan	**2,500**	**—**	**—**	**—**	**2,500**	**10.8**
Funding for cooperative development program with universities	—	—	730	—	730	3.1
Employ additional personnel for the research and development department	100	100	100	70	370	1.6
Provide internal training and organize conferences	360	—	360	—	720	3.1
Purchase laboratory equipment	590	580	—	—	1,170	5.0
Subtotal for continued enhancement on our research and development capabilities	**1,050**	**680**	**1,190**	**70**	**2,990**	**12.9**

Implementation plan	From the Latest Practicable Date to the six months ending 30 June 2020	For the six months ending 31 December 2020	For the six months ending 30 June 2021	For the six months ending 31 December 2021	Total	Approximate percentage of net proceeds
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*%*
Enhance the information technology and protection safety infrastructure	930	—	—	—	930	4.0
Enhance the environmental protection infrastructure	2,400	—	—	—	2,400	10.4
Subtotal for upgrading our Xianqiao Plant and ERP system	**3,330**	**—**	**—**	**—**	**3,330**	**14.4**
Participate in various exhibitions	70	70	70	70	280	1.2
Employ additional personnel for the sales and marketing department	30	90	100	100	320	1.4
Pay the rent for the planned offices	40	220	220	220	700	3.0
Subtotal for expansion of our sales and marketing coverage	**140**	**380**	**390**	**390**	**1,300**	**5.6**
Working capital and other general corporate purposes	**290**	**290**	**290**	**290**	**1,160**	**5.0**
Total	**19,210**	**1,350**	**1,870**	**750**	**23,180**	**100.0**

BASES AND ASSUMPTIONS

Potential investors should note that our ability to achieve our business objectives depends on a number of assumptions, in particular:

- there will be no material changes in the existing political, legal, fiscal, social or economic conditions in the PRC or in any other places in which any member of our Group carries on its business or will carry on its business;
- we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate;
- there will be no material changes in the prevailing laws (whether in the PRC or any other part of the world), policies or industry or regulatory treatments relating to us, or in the political, economic or market conditions of the places in which we operate or will operate;
- there will be no change in the validity of the licenses, certificates and permits obtained by us;
- there will be no material changes in the bases or rates of taxation in the PRC or in any other places in which we operate or will operate;

- we will retain key personnel in our management team;
- there will be no significant changes in our business relationship with our existing strategic and business partners;
- there will be no significant changes in our business relationships with our major customers or suppliers;
- there will be no material changes in the funding required for each of the scheduled achievements as outlined under "— Implementation Plans" above in this section; and
- we will not be materially affected by the risk factors as set out in "Risk Factors" in this Prospectus.

REASONS OF THE SHARE OFFER AND USE OF PROCEEDS

Reasons of the Share Offer

A significant portion of the net proceeds from the Share Offer will be used to upgrade our existing production facilities by: (i) automation of the production process of coated glass; (ii) upgrading our existing equipment, including but not limited to, mechanical pumps, molecular pumps and switch board rooms, and coating process of Low-E glass; and (iii) purchasing equipment, including but not limited to, rotating cathodes, vacuum chambers and an edge grinding machine. To fulfill our business objectives which include enhancing our market position in the architectural glass industry in China and pursuing domestic expansion to capture future growth opportunities, our production line is our most important asset and is a key factor determining our development and expansion plans. In 2018, our utilization rate of coated glass production is over 100%. In view of such, there is a need to increase our production capacity to address our production needs and supplement our plans to expand into the coated glass market. Therefore, our Directors believe that upgrading our existing production line will enable us to produce more coated glass to meet our sales demand.

Our existing level of capital resources is no longer adequate for us to continue to grow and expand our business. For the six months ended 30 June 2019, we recorded negative operating cash flow in the amount of RMB28,000. As of 30 June 2019 and 31 October 2019, our cash and cash equivalents amounted to RMB4.0 million and RMB3.7 million respectively, and we had bank loans of RMB30.0 million and RMB39.0 million, respectively. All of our bank loan could only be used for the procurement of raw materials to maintain our production. In addition, we entered into several loan agreements in May 2019 and June 2019 for an amount of RMB20.0 million, secured by our plant and buildings whose market value amounted to approximately RMB30.0 million, and such loan can only be used to purchase raw materials for production purpose. We will not be able to obtain additional loans to be secured by our land due to its defective title. As such, there were no bank loans which we could use to support our business strategies and expansion plans.

Since we are unable to pledge our land for obtaining bank loans, if we would like to pursue our business strategies and expansion plans, we may have to obtain bank borrowings on terms which may be more unfavorable to us compared to our current bank loans, resulting in additional finance costs and interest rate risk exposure. In the event that we can obtain bank loans, we still may not be able to implement our expansion plans in a synchronized and timely manner. For the years ended 31 December 2017 and 2018 and the six months ended 30 June 2019, our bank loans bore interest rate ranging from 5.00% to 5.66%, from 5.87% to 6.53% and from 5.79% to 7.00% per annum, respectively. In case of any tightening of credit control in the PRC, the interest rate for bank borrowings may be raised, hence further increasing our finance costs. In case of economic downturn and an increase in the interest rates for bank borrowings, we will be adversely affected. Therefore, our Directors believe that it is in the interest of our Group not to utilize bank borrowings for funding our expansion plans.

In view of the above, our cash balance is only sufficient for our operational needs. Therefore, our Directors believe that the net proceeds from the Share Offer are crucial for the successful implementation of our business strategies and expansion plans.

Use of Proceeds

Our Directors believe that the Share Offer will enhance our profile, strengthen our industry competitiveness and financial position and provide us with additional working capital to implement our future plans set out in this Prospectus. Assuming that the Offer Size Adjustment Option is not exercised, the net proceeds from the issue of Shares under the Share Offer are estimated to be approximately HK$23.2 million, assuming an Offer Price of HK$0.83 per Offer Share (being the mid-point of the indicative Offer Price range), after deducting the estimated total listing expenses including the underwriting commissions in the aggregate amount of approximately HK$39.1 million paid and payable by us from the Share Offer.

We intend to use such net proceeds from the Share Offer for the purposes and in the amounts set forth below:

- approximately 51.3%, or approximately HK$11.9 million, will be used to upgrade our existing production facilities;

- approximately 10.8%, or approximately HK$2.5 million, will be used to repay our bank loan we obtained from a commercial bank primarily for expanding our business. Such bank loan bears an annual interest rate of 5.7855%, and will be due and repayable by 29 May 2020;

- approximately 12.9%, or approximately HK$3.0 million, will be used to enhance our research and development capabilities;

- approximately 14.4%, or approximately HK$3.3 million, will be used to enhance the infrastructure of information technology, production safety and environmental protection in order to upgrade our Xianqiao Plant and ERP system;

- approximately 5.6%, or approximately HK$1.3 million, will be used to expand our sales and marketing coverage; and

- approximately 5.0%, or approximately HK$1.2 million, will be used to provide funding for our working capital and other general corporate purposes.

Assuming that the Offer Size Adjustment Option is not exercised, and if the Offer Price is determined at HK$0.89 per Offer Share, being the highest point of the indicative Offer Price range, we will receive additional net proceeds of approximately HK$4.0 million. Assuming that the Offer Size Adjustment Option is not exercised, and if the Offer Price is determined at HK$0.77 per Offer Share, being the lowest point of the indicative Offer Price range, the net proceeds we receive will be reduced by approximately HK$4.0 million. We intend to use the net proceeds based on the percentages disclosed above, regardless of whether the Offer Shares are priced at the high-end or low-end of the proposed Offer Price range.

In the event that any of our plans does not proceed as a result of circumstances that render any of our plans not commercially viable or force majeure, such as changes in government policies, our Directors will carefully evaluate the situation and may reallocate such funds for other purposes.

To the extent that the net proceeds from the Share Offer are not immediately applied to the above purposes and to the extent permitted by the relevant laws and regulations, it is the present intention of our Directors that such net proceeds will be placed on short-term interest-bearing deposits with licensed banks and/or financial institutions.

THE PUBLIC OFFER UNDERWRITERS

I Win Securities Limited

Elstone Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, the Company has agreed to offer the Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this Prospectus and the Application Forms. Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this Prospectus by the Listing Division of the Stock Exchange and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally and not jointly agreed to subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares now being offered which are not taken up under the Public Offer on the terms and conditions of this Prospectus, the Application Forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

The Joint Bookrunners (for themselves and on behalf of the other Public Offer Underwriters) shall have the sole and absolute discretion upon giving notice in writing to the Company to terminate the Public Offer Underwriting Agreement with immediate effect if any of the following events occur at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date:

(a) there comes to the notice of the Joint Bookrunners (for themselves and on behalf of the other Public Offer Underwriters) that:

(i) any statement contained in this Prospectus, the Application Forms, the formal notice, any notices, announcements, advertisements, communications, or other documents issued or used by or on behalf of the Company in connection with the Share Offer (including any supplement or amendment thereto) (the "**Relevant Documents**"), considered by the Joint Bookrunners in their sole and absolute opinion was, when it was issued, or has become untrue, incorrect, incomplete, inaccurate or misleading in any material respect or any forecast, expression of opinion, intention, estimate or expectation expressed in any of the Relevant Documents is not, in the sole and absolute opinion of the Joint Bookrunners in all material respects, fair and honest and based on fair and reasonable assumptions, when taken as a whole; or

(ii) any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the date of this Prospectus, constitute a misstatement in any of the Relevant Documents or an omission therefrom considered by the Joint Bookrunners in their sole and absolute opinion to be material in the context of the Share Offer; or

(iii) any breach of any of the obligations or undertakings imposed upon any party to the Public Offer Underwriting Agreement or the Placing Underwriting Agreement (other than the Joint Bookrunners or any of the Public Offer Underwriters and the Placing Underwriters) considered by the Joint Bookrunners in their sole and absolute opinion to be material in the context of the Share Offer; or

(iv) any of the representations and warranties given by the warrantors in the Public Offer Underwriting Agreement or the Placing Underwriting Agreement is (or would when repeated be) untrue, inaccurate or misleading or having been breached and considered by the Joint Bookrunners (for themselves and on behalf of the other Public Offer Underwriters) in their sole and absolute opinion to be material in the context of the Public Offer; or

(v) any matter, event, act or omission which gives or is likely to give rise to any material liability of any of the warrantors of the Public Offer Underwriting Agreement pursuant to the indemnities given by all or any of them under the Public Offer Underwriting Agreement or the Placing Agreement; or

(vi) approval by the Stock Exchange for the listing of, and permission to deal in, the Shares is refused or not granted other than subject to customary conditions, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(vii) the Company withdraws any of the Relevant Documents (and/or any other documents used in connection with the contemplated subscription of the Offer Shares) or the Share Offer; or

(viii) any person (other than the Public Offer Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Relevant Documents or the issue of any of the Relevant Documents; or

(ix) any material adverse change or prospective adverse change in the conditions (financial, trading or otherwise), business, assets and liabilities, properties, general affairs, management, shareholders' equity, profits, losses, results of operations, financial or trading position or prospect or performance of any member of the Group; or

(x) any information, matter or event which in the sole and absolute opinion of the Joint Bookrunners acting in good faith:

(A) is inconsistent in any material respect with any information contained in the relevant Director's declaration, undertaking and acknowledgement (Appendix 6, Form A of the GEM Listing Rules) given by any Directors pursuant to the Share Offer; or

(B) would cast any serious doubt on the integrity or reputation of any Director or the reputation of our Group; or

(xi) a prohibition on the Company for whatever reason from offering, allotting, selling or delivering the Shares pursuant to the terms of the Share Offer; or

(xii) any loss or damage has been sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person) which is considered by the Joint Bookrunners (for themselves and on behalf of the other Public Offer Underwriters) in their sole and absolute opinion acting in good faith to be material.

(b) there shall develop, occur, happen, exist or come into effect:

(i) any event, or series of events in the nature of force majeure, including, without limitation, acts of government or orders of any courts, labor disputes, strikes, calamity, crisis, lock-outs (whether or not covered by insurance), fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism (whether or not responsibility has been claimed), declaration of a national or international emergency, riots, public disorder, economic sanctions, outbreaks of diseases or epidemics (including but not limited to SARS, MERS, H1N1 flu, H5N1 and H7N9 and other related or mutated forms), accidents, interruption or delay in transportation, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting Hong Kong, the PRC, the BVI, the Cayman Islands or any other jurisdictions relevant to any member of our Group (the "**Relevant Jurisdictions**"); or

(ii) any change or development involving a prospective change or development, or any event or series of events, matters or circumstances likely to result in or represent any change or development involving a prospective change or development, in the local, national, regional, international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit, market or exchange control conditions or any monetary or trading settlement systems or matters and/or disaster including, without limitation, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States, or a material fluctuation in the exchange rate of Hong Kong dollar or RMB against any foreign currency; or

(iii) any new law or regulation or any change or development involving a prospective change in existing laws or regulations, or any change or development involving a prospective change in the interpretation or application thereof by any court or other government authorities in or affecting any of the Relevant Jurisdictions; or

(iv) any imposition of economic sanctions or changes in existing economic sanctions, in whatever form, directly or indirectly, by the United States or by the European Union (or any member thereof) on any of the Relevant Jurisdictions; or

(v) any material adverse change or development or event involving a prospective material adverse change in taxation or exchange control (or the implementation of any exchange control, currency exchange rates or foreign investment laws or regulations) in any of the Relevant Jurisdictions; or

(vi) any adverse change or development involving a prospective change, or a materialization of, any of the risks set out in "Risk Factors" in this Prospectus; or

(vii) any material litigation or claim being threatened or instigated against the Company or any member of our Group or any Director; or

(viii) any Director being charged with an indictable offence or prohibited by operation of law or regulation or otherwise disqualified from taking part in the management of a company; or

(ix) the chairman of the Board or chief executive officer of the Company vacating his office in circumstances where the operations of our Group may be materially and adversely affected; or

(x) the commencement by any government, regulatory or political body or organization of any action against a Director or a member of our Group, or an announcement by any government, regulatory or political body or organization that it intends to take any such action; or

(xi) any contravention by any member of our Group or any Director of the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Cayman Islands Companies Law, the GEM Listing Rules, the SFO or any applicable laws and regulations; or

(xii) a prohibition on the Company for whatever reason from offering, allotting, selling or delivering the Offer Shares (including the Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option) pursuant to the terms of the Share Offer or the Public Offer Underwriting Agreement or any of the Relevant Documents; or

(xiii) non-compliance of this Prospectus (and/or any other documents used in connection with the subscription or purchase of the Offer Shares) or any aspect of the Share Offer with the GEM Listing Rules or any other applicable laws and regulations; or

(xiv) other than with the approval of the Joint Bookrunners where such approval shall not be unreasonably withheld or delayed, the issue or requirement to issue by the Company of a supplement or an amendment to any of the Relevant Documents (and/or any other documents used in connection with the subscription of the Offer Shares) pursuant to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the GEM Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(xv) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity and which has or could reasonably be expected to have a material adverse effect on such member of our Group or our Group taken as a whole; or

(xvi) any loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or

(xvii) any adverse change or prospective change in the earnings, results of operations, business, business prospects, financial or trading position, conditions or prospects (financial or otherwise) of the Company or any member of our Group (including any litigation or claim of material importance being threatened or instigated against the Company or any member of our Group); or

(xviii) a petition or an order is presented for the winding-up or liquidation of any member of our Group, or any member of our Group makes any composition or arrangement with its creditors, enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group, or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertakings of any member of our Group, or any analogous matter thereto occurs in respect of any member of our Group; or

(xix) a disruption in or any general moratorium on commercial banking activities or foreign exchange trading or securities settlement, or payment or clearance services or procedures in or affecting any of the Relevant Jurisdictions; or

(xx) any adverse change or development in the conditions of local, national or international equity securities or other financial markets; or

(xxi) the imposition of any moratorium, suspension or restriction on trading in shares or securities generally on or by the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange or the minimum or maximum prices for trading having been fixed, or maximum ranges for prices having been required, by any of the said exchanges or by such system or by order of any government authority, or a general moratorium on commercial banking activities in any of the Relevant Jurisdictions declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions; or

(c) such other events or circumstances, which, individually or in aggregate, in the sole and absolute opinion of the Joint Bookrunners (for themselves and on behalf of the other Public Offer Underwriters):

(A) has or is or will be or may be expected to have a material adverse effect or may prejudicially affect the general affairs, management, business, financial, trading or other condition or prospects of our Group (as a whole) or any member of our Group or to any present or prospective Shareholder in his, her or its capacity as such; or

(B) has or will have or may have a material adverse effect on the success, marketability or pricing of the Share Offer or the level of interest under the Share Offer; or

(C) makes or will make or may make it inadvisable, inexpedient or impracticable to proceed with or to market the Share Offer or the delivery of the Offer Shares on the terms and in the manner contemplated by any of the Relevant Documents; or

(D) has or would have or may have the effect of making any part of the Public Offer Underwriting Agreement (including underwriting) incapable of implementation or performance in accordance with its terms and in the manner contemplated by any of the Relevant Documents and the Public Offer Underwriting Agreement or which prevents the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof.

Undertakings to the Stock Exchange under the GEM Listing Rules

Undertakings by the Company

Pursuant to Rule 17.29 of the GEM Listing Rules, we have undertaken to the Stock Exchange that, except pursuant to the Share Offer, the Capitalization Issue and the Offer Size Adjustment Option, we will not issue any further Shares or securities convertible into equity securities (whether or not of a class already listed) or enter into any agreement to such issue within six months from the date on which the Shares commence dealings on the Stock Exchange (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealings), except in certain circumstances prescribed by Rule 17.29 of the GEM Listing Rules.

Undertakings by the Controlling Shareholders

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and the Company that, except pursuant to the Share Offer and the Offer Size Adjustment Option, he/she/it shall not and shall procure that the relevant registered holder(s) (if any) shall not:

(a) save as provided in Rule 13.18 of the GEM Listing Rules, in the period commencing on the date by reference to which disclosure of his/her/its shareholding is made in this Prospectus and ending on the date which is 12 months from the Listing Date, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/she/it is shown by this Prospectus to be the beneficial owner (as defined in Rule 13.16A(2) of the GEM Listing Rules) (the "**Relevant Securities**"); or

(b) save as provided in Rule 13.18 of the GEM Listing Rules, in the period of 12 months commencing from the expiry of the period referred to in paragraph (a) above, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, our Controlling Shareholders would cease to be a controlling shareholder (as defined in the GEM Listing Rules) of the Company.

In addition, in accordance with Rule 13.19 of the GEM Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and the Company that he/she/it will comply with the following requirements:

(a) in the event that he/she/it pledges or charges or otherwise creates any rights or encumbrances over any Shares or other securities of the Company in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, at any time during the period commencing on the date by reference to which disclosure of his/her/its direct or indirect shareholding in the Company is made in this Prospectus and ending on the date which is 12 months from the Listing Date and during the period of 12 months immediately thereafter, he/she/it must inform the Company, the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the other Public Offer Underwriters) immediately thereafter, disclosing the details specified in Rules 17.43(1) to (4) of the GEM Listing Rules; and

(b) having pledged or charged any interest in the Shares under (a) above, he/she/it must inform the Company immediately in the event that he/she/it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of Shares affected.

Pursuant to Rule 13.20 of the GEM Listing Rules, in the event that the Company has been informed of any matter under Rule 13.19 of the GEM Listing Rules as described above, we shall inform the Stock Exchange in writing as soon as possible and forthwith publish an announcement giving details of the same in accordance with the requirements of Rule 17.43 of the GEM Listing Rules.

Undertakings pursuant to the Public Offer Underwriting Agreement

Undertakings by the Company

Except pursuant to the Capitalization Issue, the Share Offer and the exercise of the Offer Size Adjustment Option, during the period commencing on the date of the Public Offer Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "**First Lock-up Period**"), the Company has undertaken to the Sole Sponsor, the Joint Bookrunners and the Public Offer Underwriters not to, and to procure each other member of our Group not to, without the prior written consent of the Joint Bookrunners (for themselves and on behalf of the other Public Offer Underwriters) and the Sole Sponsor (such consent shall not be unreasonably withheld or delayed) and unless in compliance with the requirements of the GEM Listing Rules:

(a) offer, allot, issue or sell, or agree to allot, issue or sell, pledge, accept subscription for, mortgage, charge, grant or agree to grant any option, right or warrant over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by the Company or any of its affiliates), either directly or indirectly, conditionally or unconditionally, any Shares (or any interest in any Shares or any voting or other right attaching to any Shares) or any securities convertible into or exchangeable for such Shares (or any interest in any Shares or any voting or other right attaching to any Shares); or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares (or any interest in any Shares or any voting or other right attaching to any Shares) or such securities; or

(c) enter into any transaction with the same economic effect as any transaction specified in (a) and (b) above; or

(d) offer or agree to do any foregoing transactions and publicly disclose any intention to effect such transaction,

in each case, whether any of the transactions specified above is to be settled by delivery of Shares or such other securities of the Company or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period). In the event that, during the period of six months immediately following the expiry of the First Lock-up Period (the "**Second Lock-up Period**"), the Company enters into any of the transactions specified above, or offers to or agrees to or announces any intention to effect any such transaction, the Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the Shares or other securities of the Company. Each of our executive Directors and Controlling Shareholders undertakes to each of the Joint Bookrunners, the Public Offer Underwriters and the Sole Sponsor to procure the Company to comply with the undertakings above.

Undertakings by the Controlling Shareholders

Each of the Controlling Shareholders have also undertaken to each of the Company, the Joint Bookrunners, the other Public Offer Underwriters and the Sole Sponsor that, except pursuant to the Capitalization Issue, the Share Offer and the exercise of the Offer Size Adjustment Option, without the prior written consent of the Joint Bookrunners (for themselves and on behalf of the other Public Offer Underwriters) and the Sole Sponsor (such consent shall not be unreasonably withheld or delayed) and unless in compliance with the requirements of the GEM Listing Rules:

(a) he/she/it will not, and shall procure that none of his/her/its associates or any company controlled by him/her/it or any of his/her/its associates, nominees or trustees holding in trust for him/her/it at any time during the date of the Public Offer Underwriting Agreement until the expiry of 12 months from the Listing Date (the "**First 12-Month Period**"): (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable); or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares); (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above; or (iv) offer to or agree to or announce any intention to effect any transaction specified in (i), (ii) or (iii) above, in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of the Company or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period);

(b) he/she/it will not, and shall procure that none of his/her/its associates or any company controlled by him/her/it or any of his/her/its associates, nominees or trustees holding in trust for him/her/it during the period of 12 months immediately following the First 12-Month Period (the "**Second 12-Month Period**"), enter into any of the transactions specified in (a)(i), (a)(ii) or (a)(iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it will cease to be a Controlling Shareholder; and

(c) within the Second 12-Month Period, in the event that he/she/it enters into any of the transactions specified in (b) above or offers to or agrees to or announces any intention to effect any such transaction, he/she/it will take all steps to ensure that such transaction will not create a disorderly or false market in the Shares or other securities of the Company.

The Company will also inform the Stock Exchange, the Sole Sponsor and the Joint Bookrunners in writing as soon as the Company has been informed of the above matters (if any) by any of our Controlling Shareholders and disclose such matters by way of announcement in accordance with Rule 17.43 of the GEM Listing Rules as soon as possible after being so informed by any of our Controlling Shareholders.

The Company, our Controlling Shareholders and our executive Directors have agreed to indemnify, among others, the Sole Sponsor, the Joint Bookrunners and the Public Offer Underwriters from certain losses which they may suffer, including losses arising from their performance of their obligations under the Public Offer Underwriting Agreement and any breach by the Company or our Controlling Shareholders or our executive Directors of the Public Offer Underwriting Agreement.

The Placing

Placing Underwriting Agreement

In connection with the Placing, it is expected that the Company, our executive Directors and our Controlling Shareholders will enter into the Placing Underwriting Agreement with the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Placing Underwriters. Pursuant to the Placing Underwriting Agreement, we are offering the Placing Shares for subscription by way of Placing, on and subject to the terms and conditions in the Placing Underwriting Agreement and this Prospectus, at the

Offer Price. Under the Placing Underwriting Agreement, subject to, among other conditions: (i) the Listing Division of the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this Prospectus and such listing of and permission to deal in the Shares not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange; (ii) the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated in accordance with its terms or otherwise, prior to 8:00 a.m. on the Listing Date; and (iii) certain other conditions set out in the Placing Underwriting Agreement, the Placing Underwriters have severally agreed to subscribe for, or procure subscribers for their respective applicable proportions of the Offer Shares on the terms and conditions of the Placing. The Placing Underwriting Agreement is expected to provide that it may be terminated on grounds similar to those provided in the Public Offer Underwriting Agreement. Potential investors are reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed.

It is expected that, pursuant to the Placing Underwriting Agreement, the Company, the executive Directors and the Controlling Shareholders will give undertakings similar to those given pursuant to the Public Offer Underwriting Agreement, as described in "— Underwriting Arrangements and Expenses — The Public Offer — Undertakings pursuant to the Public Offer Underwriting Agreement."

It is expected that each of the Controlling Shareholders will undertake to the Placing Underwriters not to dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interest or encumbrances in respect of any of the Shares held by them in the Company for a period similar to that given by them pursuant to the Public Offer Underwriting Agreement as described in "— Underwriting Arrangements and Expenses — The Public Offer — Undertakings pursuant to the Public Offer Underwriting Agreement."

Total Commission, Fee and Expenses

In connection with the Share Offer, the Public Offer Underwriters will, and the Placing Underwriters are expected to receive an underwriting commission of 12.0% of the aggregate Offer Price of all the Offer Shares (including the Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option), which is payable by the Company according to the Underwriting Agreements. In connection with the Listing, the Sole Sponsor will receive a sponsor's fee.

Based on an Offer Price of HK$0.83 per Share (being the mid-point of the indicative Offer Price range), the aggregate fees and commission, together with the Stock Exchange listing application fee, Stock Exchange trading fee and SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Share Offer, are currently estimated to be approximately HK$39.1 million in aggregate, which will be borne by the Company.

UNDERWRITERS' INTEREST IN THE COMPANY

Save as provided for under the Underwriting Agreements or as otherwise disclosed in this Prospectus, the Underwriters do not have shareholding interests in any member of our Group or any right (whether legally enforceable or not) or option to subscribe for or nominate persons to subscribe for any shares in any member of our Group or any interest in the Share Offer.

SOLE SPONSOR'S INTEREST AND INDEPENDENCE

In relation to the sponsorship and documentation fees paid and to be paid to Dongxing Securities as the Sole Sponsor in connection with the Listing and as our compliance adviser with effect from the Listing Date, neither Dongxing Securities nor any of its close associates has or may, as a result of the Listing and the Share Offer, have any interest in any class of securities of the Company or any other members of our Group (including options or rights to subscribe for such securities).

No director or employee of Dongxing Securities who is involved in providing advice to the Company has or, as a result of the Listing and/or the Share Offer, may have any interest in any class of securities of the Company or any other members of our Group (including options or rights to subscribe for such securities). No director or employee of Dongxing Securities has any directorship in the Company or any other members of our Group.

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set forth in Rule 6A.07 of the GEM Listing Rules.

MINIMUM PUBLIC FLOAT

Our Directors will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 11.23 of the GEM Listing Rules after completion of the Share Offer.

THE SHARE OFFER

This Prospectus is published in connection with the Public Offer as part of the Share Offer. The Share Offer comprises:

(a) the Public Offer of initially 7,500,000 Shares (subject to reallocation as mentioned below) for subscription by the public in Hong Kong as described in "— The Public Offer" in this section; and

(b) the Placing of initially 67,500,000 Shares (subject to reallocation and the Offer Size Adjustment Option as mentioned below) outside of the United States including to professional, institutional, corporate investors and other investors anticipated to have a sizeable demand for the Offer Shares.

Investors may apply for Public Offer Shares under the Public Offer or apply for or indicate an interest in Placing Shares under the Placing, but may not do both. References in this Prospectus to applications, Application Forms, application monies or the procedures for application relate solely to the Public Offer.

The 75,000,000 Offer Shares in the Share Offer will represent 25% of the total issued share capital of the Company immediately after completion of the Capitalization Issue and the Share Offer (assuming that the Offer Size Adjustment Option is not exercised). The number of Offer Shares to be offered under the Public Offer and the Placing, respectively, may be subject to reallocation as mentioned below.

THE PUBLIC OFFER

Number of Offer Shares Initially Offered

We are initially offering 7,500,000 Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Shares initially available under the Share Offer. Subject to the reallocation of Shares between the Public Offer and the Placing, the Public Offer Shares will represent approximately 2.5% of the total issued share capital of the Company immediately following the completion of the Capitalization Issue and the Share Offer (assuming that the Offer Size Adjustment Option is not exercised). The Public Offer is open to members of the public in Hong Kong as well as to professional, institutional and other investors. Such professional, institutional and other investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealings in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Public Offer is subject to the conditions as set out in "— Conditions of the Share Offer" in this section.

Allocation

Allocation of Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. Such allocation could be made, where appropriate, on the basis of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

The level of applications in the Public Offer, the level of indication of interest in the Placing and the basis of allocation of the Public Offer Shares are expected to be announced on Friday, 10 January 2020 through a variety of channels as described in "How to Apply for the Public Offer Shares — 11. Publication of Results" in this Prospectus.

Reallocation

The allocation of Offer Shares between the Public Offer and the Placing is subject to reallocation at the discretion of the Joint Bookrunners, subject to the following:

(a) Where the Placing Shares are fully subscribed or oversubscribed:

(i) if the Public Offer Shares are undersubscribed, the Joint Bookrunners have the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Joint Bookrunners deem appropriate;

(ii) if the Public Offer Shares are fully subscribed or oversubscribed and the number of the Offer Shares validly applied for under the Public Offer represents less than 15 times the number of the Offer Shares initially available for subscription under the Public Offer, according to Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, up to 7,500,000 Shares may be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be 15,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Share Offer;

(iii) if the Public Offer Shares are oversubscribed and the number of the Offer Shares validly applied for under the Public Offer represents (1) 15 times or more but less than 50 times, (2) 50 times or more but less than 100 times, or (3) 100 times or more of the number of the Offer Shares initially available for subscription under the Public Offer, the Offer Shares will be reallocated to the Public Offer from the Placing in accordance with the clawback requirements set forth in paragraph 4 of Practice Note 6 of the GEM Listing Rules, so that the total number of the number of Public Offer Shares will be increased to 22,500,000 Offer Shares (in the case of (1)), 30,000,000 Offer Shares (in the case of (2)) and 37,500,000 Offer Shares (in the case of (3)), representing 30%, 40% and 50% of the number of the Offer Shares initially available under the Share Offer, respectively.

(b) Where the Placing Shares are undersubscribed:

(i) if the Public Offer Shares are also undersubscribed, the Share Offer will not proceed unless the Underwriters would subscribe for or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Share Offer on the terms and conditions of this Prospectus, the Application Forms and the Underwriting Agreements; and

(ii) if the Public Offer Shares are fully subscribed or oversubscribed (irrespective of the extent of oversubscription), then up to 7,500,000 Offer Shares may be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be increased to 15,000,000 Offer Shares, representing 20% of the Offer Shares initially available under the Share Offer.

In the event of reallocation of Offer Shares from the Placing to the Public Offer in the circumstances described in paragraph (a)(ii) or (b)(ii) above, the final Offer Price shall be fixed at the low-end of the indicative Offer Price range (i.e. HK$0.77 per Offer Share) according to Guidance Letter HKEX-GL91-18 issued by the Stock Exchange.

Applications

Multiple or suspected multiple applications under the Public Offer and any application for more than 7,500,000 Public Offer Shares initially available for subscription will be rejected. Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest in, and will not apply for or take up, or indicate an interest in, any Offer Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the Placing.

Applicants under the Public Offer are required to pay, on application, the maximum price of HK$0.89 per Offer Share in addition to the brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable on each Offer Share, amounting to a total of HK$2,696.90 for one board lot of 3,000 Shares. If the Offer Price, as finally determined in the manner described in "— Price Determination of the Share Offer" in this Prospectus, is less than the maximum price of HK$0.89 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. For more information, see "How to Apply for the Public Offer Shares" in this Prospectus.

THE PLACING

Number of Offer Shares Initially Offered

Subject to reallocation as described above, the Placing will consist of an initial offering of 67,500,000 Offer Shares, representing 90% of the total number of Offer Shares initially available under the Share Offer and approximately 22.5% of the total issued share capital immediately after completion of the Capitalization Issue and the Share Offer (assuming that the Offer Size Adjustment Option is not exercised).

Allocation

The Placing will include selective marketing of the Placing Shares to professional, institutional, corporate investor and other investors anticipated to have a sizeable demand for the Placing Shares outside of the United States. Professional, institutional and other investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealings in shares and other securities and corporate entities which regularly invest in shares and other securities. Prospective professional, institutional and other investors will be required to specify the number of the Placing Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to the Price Determination Date.

Allocation of the Placing Shares pursuant to the Placing will be determined by the Joint Bookrunners and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell its Shares, after the Listing. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of us and the Shareholders as a whole.

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may require any investor who has been offered Placing Shares under the Placing, and who has made an application under the Public Offer to provide sufficient information to the Joint Bookrunners so as to allow them to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application of the Public Offer Shares under the Public Offer.

Reallocation

The total number of Offer Shares to be issued pursuant to the Placing may change as a result of the reallocation arrangement as described above in "— The Public Offer — Reallocation" in this section, the exercise of the Offer Size Adjustment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Public Offer.

OFFER SIZE ADJUSTMENT OPTION

Pursuant to the Offer Size Adjustment Option, the Joint Bookrunners (for themselves and on behalf of the Placing Underwriters) will have the right, exercisable with the prior consent of the Company at any time during the period from the date of this Prospectus to before 6:00 p.m. on the Business Day immediately prior to the date of the announcement of the level of indication of interest in the Share Offer (otherwise the Offer Size Adjustment Option will lapse), to require the Company to issue, at the Offer Price, up to an aggregate of 11,250,000 additional Shares, representing 15% of the total number of Offer Shares initially available under the Share Offer to cover any excess demand or over-allocations in the Placing, subject to the terms of the Placing Underwriting Agreement. If the Offer Size Adjustment Option is exercised in full, the additional Shares will represent approximately 3.6% of the enlarged issued share capital of the Company immediately following the completion of the Share Offer, the Capitalisation Issue and the exercise of the Offer Size Adjustment Option. If the Offer Size Adjustment Option is exercised in full, we estimate that the additional net proceeds to be received by the Company will be approximately HK$8.2 million (based on the Offer price of HK$0.83 per Offer Share, being the mid-point of the indicative Offer Price range), after deducting all related expenses (including underwriting fees). The additional net proceeds received from the offer of the additional Shares allotted and issued will be allocated in accordance with the allocations as disclosed in the paragraph headed "Statement of Business Objectives and Use of Proceeds — Reasons of the Share Offer and Use of Proceeds" on a pro rata basis.

For the avoidance of doubt, the purpose of the Offer Size Adjustment Option is to provide flexibility for the Joint Bookrunners to meet any excess demand or over-allocations in the Placing. The Offer Size Adjustment Option will not be associated with any price stabilization activities of the Shares in the secondary market after the Listing and will not be subject to the Securities and Futures (Price Stabilizing) Rules of the SFO (Chapter 571W of the Laws of Hong Kong). No purchase of the Shares in the secondary market will be effected to cover any excess demand in the Placing which will only be satisfied by the exercise of the Offer Size Adjustment Option in full or in part.

The Company will disclose in its allotment results announcement the basis of allocation of the Public Offer Shares whether, and to what extent, the Offer Size Adjustment Option has been exercised. If the Offer Size Adjustment Option is not exercised by the Joint Bookrunners (for themselves and on behalf of the Placing Underwriters), the Company will confirm in such announcement that the Offer Size Adjustment Option will lapse and cannot be exercised on any future date. The allotment results announcement will be published on the website of the Stock Exchange at **www.hkexnews.hk** and the Company's website at **www.hongguang.hk**.

PRICE DETERMINATION OF THE SHARE OFFER

The Placing Underwriters will be soliciting from prospective investors' indications of interest in acquiring Offer Shares in the Placing. Prospective investors will be required to specify the number of the Placing Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to the Price Determination Date.

Pricing for the Offer Shares for the purpose of the various offerings under the Share Offer will be fixed on the Price Determination Date, which is expected to be on or around Monday, 6 January 2020, and in any event not later than Tuesday, 7 January 2020, by agreement between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and the Company, and the number of Offer Shares to be allocated or sold under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$0.89 per Offer Share and is expected to be not less than HK$0.77 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Public Offer. If you apply for the Offer Shares under the Public Offer, you must pay the maximum price of HK$0.89 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this Prospectus.

If the Offer Price, as finally determined in the manner described above, is lower than HK$0.89, we will refund the respective difference, including brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies. We will not pay interest on any refunded amounts. For more information, see "How to Apply for the Public Offer Shares" in this Prospectus.

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with the consent of the Company, reduce the number of Offer Shares offered in the Share Offer and/or the indicative Offer Price range below that stated in this Prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Public Offer, cause there to be published on the website of the Company (**www.hongguang.hk**) and the website of the Stock Exchange (**www.hkexnews.hk**) a notice of the reduction or to be announced in such manner as permitted under the GEM Listing Rules and agreed between the Company and the Joint Bookrunners.

In addition, we will:

(i) issue a supplemental prospectus updating investors of the reduction in the Offer Price range together with an update of all financial and other information in connection with such changes;

(ii) extend the period under which the offer was open for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their existing subscriptions; and

(iii) give potential investors who had applied for the Offer Shares the right to withdraw their applications given the change in circumstances.

Upon issue of such a notice, the revised number of Offer Shares offered in the Share Offer and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Bookrunners (for themselves and on behalf of the Underwriters) and the Company, will be fixed within such revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Share Offer statistics as currently set out in this Prospectus, and any other financial information which may change materially as a result of such reduction.

In the absence of any such notice so published, the Offer Price, if agreed upon with the Company and the Joint Bookrunners, will under no circumstances be set outside the Offer Price range as stated in this Prospectus. If you have already submitted an application for the Public Offer Shares before the last day for lodging applications under the Public Offer, you will not be allowed to subsequently withdraw your application. However, if the number of Offer Shares and/or the Offer Price range is reduced, applicants will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

In the event of a reduction in the number of Offer Shares, the Joint Bookrunners may, at their discretion, reallocate the number of Offer Shares to be offered in the Public Offer and the Placing, provided that the number of Offer Shares comprised in the Public Offer shall not be less than 10% of the total number of Offer Shares available under the Share Offer (assuming the Offer Size Adjustment Option is not exercised).

The final Offer Price, the level of indication of interest in the Placing, the basis of allotment of Offer Shares available under the Public Offer and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer are expected to be made available in a variety of channels in the manner described in "How to Apply for the Public Offer Shares — 11. Publication of Results" in this Prospectus.

If the Joint Bookrunners (for themselves and on behalf of the Underwriters) and the Company are unable to reach an agreement on the Offer Price by Tuesday, 7 January 2020, the Share Offer will not become unconditional and will lapse immediately.

UNDERWRITING AGREEMENTS

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is conditional upon, among other things, us and the Joint Bookrunners (for themselves and on behalf of the Underwriters) agreeing on the Offer Price on the Price Determination Date.

The Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Placing Underwriters expect to enter into the Placing Underwriting Agreement relating to the Placing on or around the Price Determination Date. These underwriting arrangements, and the respective Underwriting Agreements, are summarized in "Underwriting" in this Prospectus.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made to enable the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and the Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares will be conditional on, *inter alia*:

(a) the Listing Division of the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued as described in this Prospectus (including any additional Shares that may be issued pursuant to the exercise of the Offer Size Adjustment Option);

(b) the Offer Price having been agreed between us and the Joint Bookrunners on or about the Price Determination Date;

(c) the execution and delivery of the Placing Underwriting Agreement on or about the Price Determination Date; and

(d) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with its terms,

in each case, on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than Thursday, 30 January 2020, being the 30th day after the date of this Prospectus.

If, for any reason, the Offer Price is not agreed between the Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters), or the Placing Underwriting Agreement is not entered into by Tuesday, 7 January 2020, the Share Offer will not proceed and will lapse.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. We will publish a notice of the lapse of the Share Offer on the website of the Company (**www.hongguang.hk**) and the website of the Stock Exchange (**www.hkexnews.hk**) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in "How to Apply for the Public Offer Shares" in this Prospectus. In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving bank or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

We expect to issue share certificates for the Shares on Friday, 10 January 2020 but such share certificates will only become valid certificates of title at 8:00 a.m. on Monday, 13 January 2020 provided that: (i) the Share Offer has become unconditional in all respects; and (ii) the right of termination as described in "Underwriting — Underwriting Arrangements and Expenses — The Public Offer — Grounds for termination" in this Prospectus has not been exercised.

DEALINGS

Assuming that the Share Offer becomes unconditional at or before 8:00 a.m. on Monday, 13 January 2020, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Monday, 13 January 2020. Shares will be traded in board lots of 3,000 Shares each. The stock code of the Shares is 8646.

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest in Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- apply online via the **White Form eIPO** service at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Bookrunners, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** Service Provider, in addition to the above, you must also: (i) have a valid Hong Kong identity card number; and (ii) provide a valid e-mail address and a contact phone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Company and the Joint Bookrunners may accept or reject it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Public Offer Shares.

Unless permitted by the GEM Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- a close associate (as defined in the GEM Listing Rules) of any of the above;
- a core connected person (as defined in the GEM Listing Rules) of the Company or will become a core connected person of the Company immediately upon completion of the Share Offer; or
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Prospectus and Application Forms

You can collect a **WHITE** Application Form and a Prospectus during normal business hours from 9:00 a.m. on Tuesday, 31 December 2019 until 12:00 noon on Monday, 6 January 2020 from:

(i) the following office of the Public Offer Underwriters:

I Win Securities Limited

Room 1916, Hong Kong Plaza, 188 Connaught Road West, Hong Kong

Elstone Securities Limited

Suite 1601-1604, 16/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong

(ii) any of the following branches of the receiving bank:

DBS Bank (Hong Kong) Limited

District	**Branch Name**	**Address**
Hong Kong Island	North Point Branch	G/F, 391 King's Road, North Point
Kowloon	Cheung Sha Wan Plaza Branch	Unit G09, G09A1, G/F & M09A, M/F, Cheung Sha Wan Plaza, 833 Cheung Sha Wan Road, Kowloon
New Territories	Yuen Long Branch	G/F, 1-5 Tai Tong Road, Yuen Long

You can collect a **YELLOW** Application Form and a Prospectus during normal business hours from 9:00 a.m. on Tuesday, 31 December 2019 until 12:00 noon on Monday, 6 January 2020 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**Ting Hong Nominees Limited — China Hongguang Holdings Limited Public Offer**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank(s) listed above, at the following times:

Tuesday, 31 December 2019 — 9:00 a.m. to 5:00 p.m.
Thursday, 2 January 2020 — 9:00 a.m. to 5:00 p.m.
Friday, 3 January 2020 — 9:00 a.m. to 5:00 p.m.
Saturday, 4 January 2020 — 9:00 a.m. to 1:00 p.m.
Monday, 6 January 2020 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, 6 January 2020, the last application day or such later time as described in "— 10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through **White Form eIPO**, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person whom you act:

(i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Joint Bookrunners (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies (WUMP) Ordinance, Companies Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this Prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this Prospectus and have only relied on the information and representations contained in this Prospectus in making your application and will not rely on any other information or representations except those in any supplement to this Prospectus;

(v) confirm that you are aware of the restrictions on the Share Offer in this Prospectus;

(vi) agree that none of the Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this Prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest in, and will not apply for or take up, or indicate an interest in, any Placing Shares nor participated in the Placing;

(viii) agree to disclose to the Company, our Hong Kong Branch Share Registrar, the receiving bank(s), the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this Prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that: (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorize the Company to place your name(s) or the name of the HKSCC Nominees on the Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that the Company, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, any of their respective directors, officers or representatives of any other person or party involved in the Share Offer will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider by you or by anyone as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that: (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in the paragraph headed "2. Who Can Apply" in this section, may apply through the **White Form eIPO** service for the Public Offer Shares to be allotted and registered in their own names through designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this Prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for submitting Applications under the White Form eIPO

You may submit your application to the **White Form eIPO** Service Provider at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, 31 December 2019 until 11:30 a.m. on Monday, 6 January 2020 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, 6 January 2020 or such later time under the paragraph headed "10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitted more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this Prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Commitment to sustainability

The obvious advantage of **White Form eIPO** service is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 for each "China Hongguang Holdings Limited" **White Form eIPO** application submitted via **www.eipo.com.hk** to support sustainability.

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (**http://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

You can also collect a Prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Sole Sponsor, the Joint Bookrunners and our Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this Prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Public Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest in, any Placing Shares under the Placing;

- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;

- confirm that you understand that the Company, the Directors and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this Prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this Prospectus and have relied only on the information and representations in this Prospectus in causing the application to be made, save as set out in any supplement to this Prospectus;

- agree that none of the Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this Prospectus (and any supplement to it);

- agree to disclose your personal data to the Company, our Hong Kong Branch Share Registrar, the receiving bank(s), the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this Prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this Prospectus under Section 40 of the Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this Prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Public Offer results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Public Offer Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (WUMP) Ordinance, Companies Ordinance and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage fee, SFC transaction levy and the Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this Prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 3,000 Public Offer Shares. Instructions for more than 3,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates[(1)]:

Tuesday, 31 December 2019 — 9:00 a.m. to 8:30 p.m.
Thursday, 2 January 2020 — 8:00 a.m. to 8:30 p.m.
Friday, 3 January 2020 — 8:00 a.m. to 8:30 p.m.
Saturday, 4 January 2020 — 8:00 a.m. to 1:00 p.m.
Monday, 6 January 2020 — 8:00 a.m. to 12:00 noon

Note:

(1) These times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, 31 December 2019 until 12:00 noon on Monday, 6 January 2020 (24 hours daily, except on Monday, 6 January 2020, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Monday, 6 January 2020, the last application day or such later time as described in "— 10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this Prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the Hong Kong Branch Share Registrar, the receiving bank(s), the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either: (i) submit a **WHITE** or **YELLOW** Application Form; or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Monday, 6 January 2020.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or

- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealings in securities; and

- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

”Unlisted company" means a company with no equity securities listed on the Hong Kong Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;

- control more than half of the voting power of the company; or

- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 3,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 3,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the GEM Listing Rules), and the SFC transaction levy and the Hong Kong Stock Exchange trading fee are paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC).

For more information on the Offer Price, see "Structure and Conditions of the Share Offer – Price Determination of the Share Offer."

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning; or
- Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 6 January 2020. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings or Extreme Conditions in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Monday, 6 January 2020 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in "Expected Timetable" in this Prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Friday, 10 January 2020 on the website of the Company at **www.hongguang.hk** and the website of the Hong Kong Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and dates and in the manner specified below:

- in the announcement to be posted on the website of the Company at **www.hongguang.hk** and the Hong Kong Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Friday, 10 January 2020;

- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Friday, 10 January 2020 to 12:00 midnight on Thursday, 16 January 2020;

- by telephone enquiry line by calling +852 2862 8669 between 9:00 a.m. and 10:00 p.m. from Friday, 10 January 2020 to Monday, 13 January 2020;

- in the special allocation results booklets which will be available for inspection during opening hours on Friday, 10 January 2020, Saturday, 11 January 2020 and Monday, 13 January 2020 at all the receiving bank branches on a Business Day.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in "Structure and Conditions of the Share Offer" in this Prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) ***If your application is revoked:***

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this Prospectus under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this Prospectus.

If any supplement to this Prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications and they are entitled to withdraw their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) ***If the Company or its agents exercise their discretion to reject your application:***

The Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) ***If the allotment of Public Offer Shares is void:***

The allotment of Public Offer Shares will be void if the Listing Division of the Hong Kong Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Division notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) ***If:***

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest in, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Bookrunners believe(s) that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 100% of the Public Offer Shares initially available for subscription under the Public Offer.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK$0.89 per Offer Share (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with "Structure and Conditions of the Share Offer — Conditions of the Share Offer" in this Prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Friday, 10 January 2020.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below);

- refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for: (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest); and

- Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Friday, 10 January 2020. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Monday, 13 January 2020 provided that the Share Offer has become unconditional and the right of termination described in "Underwriting" in this Prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(i) **If you apply using a WHITE Application Form**

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) from Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 10 January 2020 or such other date as notified by us as the date of collection/despatch of share certificates, refund cheques/payment instructions.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, you must attend by your authorized representative bearing a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) personally within the time specified for collection, they will be sent to the address as specified in your Application Form promptly by ordinary post and at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) will be sent to the address on your Application Form on or before Friday, 10 January 2020, by ordinary post and at your own risk.

(ii) **If you apply using a YELLOW Application Form**

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above for collection of refund cheque(s). If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) (where applicable) will be sent to the address on your Application Form on or before Friday, 10 January 2020, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Friday, 10 January 2020, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS Participant.

If you apply as a CCASS Investor Participant

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "— 11. Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 10 January 2020 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) **If you apply through the White Form eIPO service**

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 10 January 2020, or such other date as notified by the Company on the Company's website at **www.hongguang.hk** or on the Stock Exchange's website at **www.hkexnews.hk** as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post and at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Friday, 10 January 2020 by ordinary post and at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post and at your own risk.

(iv) **If you apply via Electronic Application Instructions to HKSCC**

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Friday, 10 January 2020, or, on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in "— 11. Publication of Results" above on Friday, 10 January 2020. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 10 January 2020 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Friday, 10 January 2020. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, 10 January 2020.

15. ADMISSION OF THE SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the GEM Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbrokers or other professional advisers for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

16. PERSONAL DATA

The main provisions of the Personal Data (Privacy) Ordinance (the "**Ordinance**") came into effect in Hong Kong 20 December 1996. The Personal Information Collection Statement below informs the applicant for and holder of the Shares of the policies and practices of the Company and the Hong Kong Branch Share Registrar in relation to personal data and the Ordinance.

Reasons for the Collection of Your Personal Data

From time to time it is necessary for applicants for securities or registered holders of securities to supply their latest correct personal data to the Company and the Hong Kong Branch Share Registrar when applying for securities or transferring securities into or out of their names or in procuring the services of the Hong Kong Branch Share Registrar.

Failure to supply the requested data may result in your application for securities being rejected or in delay or inability of the Hong Kong Branch Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfer of the Public Offer Shares which you have successfully applied for and/or the despatch of share certificate(s), and/or the despatch of refund cheque(s) to which you are entitled.

It is important that holders of securities inform the Company and the Hong Kong Branch Share Registrar immediately of any inaccuracies in the personal data supplied.

Purposes

The personal data of the holders of securities may be used, held and/or stored (by whatever means) for the following purposes:

- processing of your application and refund cheque/payment instructions, where applicable, and verification of compliance with the terms and application procedures set out on the Application Forms and this Prospectus and announcing results of allocations of the Public Offer Shares;
- enabling compliance with all applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of holders of securities including, where applicable, in the name of HKSCC Nominees;
- maintaining or updating the registers of holders of securities of the Company;
- conducting or assisting to conduct signature verifications, any other verification or exchange of information;
- establishing benefit entitlements of holders of securities of the Company, such as dividends, rights issues and bonus issues;

- distributing communications from the Company and its subsidiaries;
- compiling statistical information and shareholder profiles;
- making disclosures as required by laws, rules or regulations;
- disclosing identities of successful applicants by way of press announcement(s) or otherwise;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable the Company and the Hong Kong Branch Share Registrar to discharge their obligations to holders of securities and/or regulators and any other purpose to which the holders of securities may from time to time agree.

Transfer of Personal Data

Personal data held by the Company and the Hong Kong Branch Share Registrar relating to the holders of securities will be kept confidential but the Company and the Hong Kong Branch Share Registrar may, to the extent necessary for achieving the above purposes or any of them, make such enquiries as they consider necessary to confirm the accuracy of the personal data and in particular, they may disclose, obtain, transfer (whether within or outside Hong Kong) the personal data of the holders of securities to, from or with any and all of the following persons and entities:

- the Company or its appointed agents such as financial advisers, receiving bankers and the Company's overseas principal share registrar;
- HKSCC and HKSCC Nominees, who will use the personal data for the purposes of operating CCASS (in cases where the applicants have requested for the Public Offer Shares to be deposited into CCASS);
- any agent, contractor or third-party service provider who offer administrative, telecommunications, computer, payment or other services to the Company and/or the Hong Kong Branch Share Registrar in connection with the operation of their respective businesses;
- the Stock Exchange, the SFC and any other statutory, regulatory of governmental bodies in Hong Kong or elsewhere; and
- any other persons or institutions with which the holders of securities have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers.

Access to and Correction of Personal Data

The Ordinance provides the holders of securities with rights to ascertain whether the Company or the Hong Kong Branch Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. In accordance with the Ordinance, the Company and the Hong Kong Branch Share Registrar have the right to charge a reasonable fee for the processing of any data access request. All requests for access to data or correction of data or for information regarding policies and practices and the kinds of data held should be addressed to the Company for the attention of the Company secretary or (as the case may be) the Hong Kong Branch Share Registrar for the attention of the Privacy Compliance Officer for the purposes of the Ordinance.

The following is the text of a report set out on page I-1 to I-56, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CHINA HONGGUANG HOLDINGS LIMITED AND DONGXING SECURITIES (HONG KONG) COMPANY LIMITED

INTRODUCTION

We report on the historical financial information of China Hongguang Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-56, which comprises the consolidated statements of financial position of the Group as at 31 December 2017, 2018 and 30 June 2019, and the statement of financial position of the Company as at 31 December 2017, 2018 and 30 June 2019 and the consolidated statement of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for the years ended 31 December 2017 and 31 December 2018 and the six months ended 30 June 2019 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-56 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 31 December 2019 (the "Prospectus") in connection with the initial listing of shares of the Company on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited.

DIRECTORS' RESPONSIBILITY FOR HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as at 31 December 2017, 2018 and 30 June 2019 and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

REVIEW OF STUB PERIOD CORRESPONDING FINANCIAL INFORMATION

We have reviewed the stub period corresponding financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flow for the six months ended 30 June 2018 and other explanatory information (the "Stub Period Corresponding Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE.

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 22(f) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

No financial statements have been prepared for the Company since its incorporation.

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
31 December 2019

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

1 CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		Six months ended 30 June	
	Note	2017	2018	2018	2019
		RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	4	117,632	152,297	69,075	99,099
Cost of sales		(81,806)	(109,181)	(50,926)	(70,447)
Gross profit		35,826	43,116	18,149	28,652
Other net income	5	6,996	8,591	1,004	574
Sales and marketing expenses		(333)	(202)	(113)	(94)
General and administrative expenses		(12,728)	(12,755)	(6,897)	(13,625)
Profit from operations		29,761	38,750	12,143	15,507
Finance costs	6(a)	(3,060)	(2,258)	(1,099)	(1,114)
Profit before taxation	6	26,701	36,492	11,044	14,393
Income tax	7(a)	(3,439)	(4,727)	(1,365)	(2,380)
Profit for the year/period		23,262	31,765	9,679	12,013
Attributable to:					
Equity shareholders of the Company		23,262	31,765	9,679	12,013
Total comprehensive income for the year/period		23,262	31,765	9,679	12,013
Earnings per share	10				
Basic and diluted		N/A	N/A	N/A	N/A

The accompanying notes form part of the Historical Financial Information.

2 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December		As at 30 June
		2017	2018	2019
		RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	11	52,106	49,666	50,038
Right-of-use assets	12	1,933	1,816	1,758
Deferred tax assets	20(b)	2,242	2,345	2,435
		56,281	53,827	54,231
Current assets				
Inventories	13	30,812	59,972	74,524
Trade and other receivables	14	19,085	30,717	34,828
Cash and cash equivalents	15	661	2,246	4,045
		50,558	92,935	113,397
Current liabilities				
Bank loans	16	(31,000)	(29,000)	(30,000)
Trade and other payables	18	(16,364)	(17,189)	(20,114)
Contract liabilities	19	(1,948)	(2,873)	(9,176)
Income tax payable	20(a)	(4,460)	(6,922)	(6,015)
		(53,772)	(55,984)	(65,305)
Net current (liabilities)/assets		(3,214)	36,951	48,092
Total assets less current liabilities		53,067	90,778	102,323
Non-current liabilities				
Deferred revenue	21	(7,447)	(6,511)	(6,043)
		(7,447)	(6,511)	(6,043)
Net assets		45,620	84,267	96,280
Equity				
Share capital	22	4,380	—*	—*
Share premium	22	—	11,464	11,464
Reserves	22	41,240	72,803	84,816
Total equity		45,620	84,267	96,280

* The balance represents an amount less than RMB1,000.

The accompanying notes form part of the Historical Financial Information.

3 STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Note	As at 31 December 2017	As at 31 December 2018	As at 30 June 2019
		RMB'000	RMB'000	RMB'000
Non-current assets				
Investment in a subsidiary		—	—*	—*
Current assets				
Trade and other receivables		—	13,974	11,473
Cash and cash equivalent		—*	—*	—*
		—*	13,974	11,473
Current liabilities				
Trade and other payables		—	(2,476)	(4,794)
		—	(2,476)	(4,794)
Net current assets		—*	11,498	6,679
Total assets less current liabilities		—*	11,498	6,679
Net assets		—*	11,498	6,679
Equity				
Share capital	22	—*	—*	—*
Share premium	22	—	11,464	11,464
Reserves	22	—	34	(4,785)
Total equity		—*	11,498	6,679

* The balance represents an amount less than RMB1,000.

The accompanying notes form part of the Historical Financial Information.

4 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity shareholders of the Company					
	Share capital	Share premium	Capital reserve	PRC Statutory reserve	Retained earnings	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2017	4,380	—	—	1,798	16,180	22,358
Changes in equity for 2017						
Profit for the year	—	—	—	—	23,262	23,262
Other comprehensive income for the year	—	—	—	—	—	—
Total comprehensive income for the year	—	—	—	—	23,262	23,262
Appropriation to reserves	—	—	—	392	(392)	—
Balance at 31 December 2017	4,380	—	—	2,190	39,050	45,620
Balance at 1 January 2018	4,380	—	—	2,190	39,050	45,620
Changes in equity for 2018						
Profit for the year	—	—	—	—	31,765	31,765
Other comprehensive income for the year	—	—	—	—	—	—
Total comprehensive income for the year	—	—	—	—	31,765	31,765
Deemed distribution in connection with the Reorganization (Note 22(d))	(4,380)	—	(202)	—	—	(4,582)
Issuance of shares (Note 22(b))	—*	11,464	—	—	—	11,464
Balance at 31 December 2018	—*	11,464	(202)	2,190	70,815	84,267

* The balance represents an amount less than RMB1,000.

The accompanying notes form part of the Historical Financial Information.

	Attributable to equity shareholders of the Company					
	Share capital	Share premium	Capital reserve	PRC Statutory reserve	Retained earnings	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2019	—*	11,464	(202)	2,190	70,815	84,267
Changes in equity for the six months ended 30 June 2019						
Profit for the period	—	—	—	—	12,013	12,013
Other comprehensive income for the period	—	—	—	—	—	—
Total comprehensive income for the period	—	—	—	—	12,013	12,013
Balance at 30 June 2019	—*	11,464	(202)	2,190	82,828	96,280

(Unaudited)	Attributable to equity shareholders of the Company					
	Share capital	Share premium	Capital reserve	PRC Statutory reserve	Retained earnings	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2018	4,380	—	—	2,190	39,050	45,620
Changes in equity for the six months ended 30 June 2018						
Profit for the period	—	—	—	—	9,679	9,679
Other comprehensive income for the period	—	—	—	—	—	—
Total comprehensive income for the period	—	—	—	—	9,679	9,679
Balance at 30 June 2018	4,380	—	—	2,190	48,729	55,299

* The balance represents an amount less than RMB1,000.

The accompanying notes form part of the Historical Financial Information.

5 CONSOLIDATED CASH FLOW STATEMENTS

	Note	Year ended 31 December 2017	Year ended 31 December 2018	Six months ended 30 June 2018	Six months ended 30 June 2019
		RMB'000	RMB'000	RMB'000	RMB'000
Operating activities:					
Cash generated from/(used in) operations	15(b)	19,023	17,071	(2,023)	3,349
Income tax paid	20(a)	(2,829)	(2,368)	(2,180)	(3,377)
Net cash generated from/(used in) operating activities		16,194	14,703	(4,203)	(28)
Investing activities:					
Payment for purchase of property, plant and equipment		(2,133)	(5,524)	(14)	(4,609)
Proceeds from repayment of advance to third parties		2,500	—	—	—
Loans to directors		—	(13,047)	—	—
Proceeds from repayment of loans to directors		—	53	—	4,441
Interest received		9	4	—	3
Net cash generated from/(used in) investing activities		376	(18,514)	(14)	(165)
Financing activities:					
Proceeds from bank loans	15(c)	51,630	38,000	38,000	36,000
Advance from related parties	15(c)	2,160	8,342	1,021	5,006
Advance from a third party	15(c)	3,680	—	—	—
Repayment of bank loans	15(c)	(66,280)	(40,000)	(31,000)	(35,000)
Repayment of advance from related parties	15(c)	(1,281)	(10,152)	(106)	(2,900)
Repayment of advance from a third party	15(c)	(5,795)	—	—	—
Restricted deposits received	15(c)	433	—	—	—
Issuance of shares	22(a)	—	11,464	—	—
Interest paid	15(c)	(3,355)	(2,258)	(1,099)	(1,114)
Net cash (used in)/generated from financing activities		(18,808)	5,396	6,816	1,992
Net (decrease)/increase in cash and cash equivalents		(2,238)	1,585	2,599	1,799
Cash and cash equivalents at 1 January	15(a)	2,899	661	661	2,246
Cash and cash equivalents at 30 June/31 December	15(a)	661	2,246	3,260	4,045

The accompanying notes form part of the Historical Financial Information.

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

China Hongguang Holdings Limited (the "Company") was incorporated in the Cayman Islands on 25 May 2017 as an exempted company with limited liability under the Companies Law (2011 Revision) (as consolidated and revised) of the Cayman Islands.

The Company has not carried on any business since the date of its incorporation save for the Group reorganization below. The Company and its subsidiaries (together, "the Group") principally engaged in the manufacture and sales of architectural glass products in the People's Republic of China ("PRC").

Prior to the completion of a reorganization, the above mentioned principal activities where carried out by Jieyang Hongguang Coated Glass Co., Ltd. (揭陽市宏光鍍膜玻璃有限公司) ("Hongguang Glass"), which was established as a Sino-foreign cooperative joint venture on 10 April 1992 in the PRC.

To rationalize the corporate structure in preparation of the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Group underwent a reorganization (the "Reorganization").

Upon the completion of the Reorganization on 11 July 2018, the Company became the parent company of Hongguang Glass and the holding companies now comprising the Group. The Reorganization only involved inserting the Company, Hongguang International Limited ("Hongguang International"), and Hongguang Technology (Hong Kong) Limited ("Hongguang HK"), which are newly formed entities with no substantive operations, as holding companies of Hongguang Glass.

There were no changes in the economic substance of the ownership and the business of Hongguang Glass before and after the Reorganization and therefore the Historical Financial Information has been prepared and presented as a continuation of the consolidated financial information of Hongguang Glass with the assets and liabilities of Hongguang Glass recognized and measured at their historical carrying amounts prior to the Reorganization. Intra-group balances, transactions and unrealized gains/losses on intra-group transactions are eliminated in full in preparing the Historical Financial Information.

The consolidated statements of profit or loss and other comprehensive income, the consolidated cash flow statements of the Group for the Relevant Periods as set out in this report include the financial performance and cash flows of the companies now comprising the Group as if the current group structure had been in existence and remained unchanged throughout the Relevant Periods, or since their respective dates of incorporation or establishment, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2017, 2018 and 30 June 2019 as set out in this report have been prepared to present the financial position of the companies that are now comprising the Group as of those dates as if the current group structure had been in existence as of the respective dates taking into account the respective dates of incorporation or establishment, where applicable.

As at the date of this report, no audited financial statements have been prepared for the Company, Hongguang HK and Hongguang International, as they either have not carried on any business since the date of incorporation or are investment holding companies and not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation. The financial statements of the subsidiaries of the Group for which there are statutory requirements were prepared in accordance with the relevant accounting rules and regulations applicable to entities in the countries in which they were incorporated and/or established.

Upon completion of the Reorganization and as at the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies:

Name of company	Place and date of incorporation/ establishment	Registered capital/ issued and fully paid-up capital	Effective interest held by the Company		Principal activities	Name of statutory auditor
			Direct	Indirect		
Hongguang International Limited ("Hongguang International")	British Virgin Islands 25 May 2017	US$1/US$1	100%	—	Investment holding	N/A
Hongguang Technology (Hong Kong) Limited ("Hongguang HK")	Hong Kong 12 July 2017	HK$1/HK$1	—	100%	Investment holding	N/A
Hongguang Glass* (揭陽市宏光鍍膜玻璃有限公司)	The PRC 10 April 1992	RMB4,380,000/ RMB4,380,000	—	100%	Manufacturing and sales of architectural glass products	Guangzhou Huatuo Certified Public Accountants Co., Ltd.

* The English translation of Hongguang Glass is for reference only. The official name of the Company established in the PRC is in Chinese.

All companies now comprising the Group have adopted 31 December as their financial year end date.

The Historical Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Further details of the significant accounting policies adopted are set out in Note 2.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised HKFRSs, including HKFRS 15, *Revenue from Contracts with Customers*, HKFRS 9, *Financial Instruments*, and HKFRS 16, *Leases* to the Relevant Periods. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning on 1 January 2019 are set out in Note 27.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) **Basis of measurement**

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (the "Functional Currency"). The Historical Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand except for earnings per share information.

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis.

(b) **Use of estimates and judgments**

The preparation of the Historical Financial Information in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRSs that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(c) **Subsidiaries**

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(g)(iii)), unless the investment is classified as held for sale.

(d) **Property, plant and equipment**

Property, plant and equipment, other than construction in progress, are stated in the consolidated statements of financial position at cost less accumulated depreciation and impairment losses (see Note 2(g)(iii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 2(s)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

— Plant and buildings	10-20 years
— Machinery and equipment	2-10 years
— Office and other equipment	3-10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is stated at cost less impairment losses (see Note 2(g)(iii)).

Capitalization of construction in progress costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are completed.

No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use.

(e) **Research and development**

Expenditure on research activities is recognized as an expense in the period in which it is incurred. Expenditure on development activities is capitalized if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalized includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable. Capitalized development costs are stated at cost less accumulated amortization and impairment losses. Other development expenditure is recognized as an expense in the period in which it is incurred.

(f) **Lease**

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

— the contract involves the use of an identified asset — this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

— the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

— the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where all the decisions about how and for what purpose the asset is used are predetermined, the Group has the right to direct the use of the asset if either:

— the Group has the right to operate the asset; or

— the Group designed the asset in a way that predetermines how and for what purpose it will be used.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

— fixed payments, including in-substance fixed payments;

— variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

— amounts expected to be payable under a residual value guarantee; and

— the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of equipment that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(g) **Credit losses and impairment of assets**

(i) ***Credit losses from financial instruments***

The Group recognizes a loss allowance for expected credit losses (ECLs) on the following items:

— financial assets measured at amortized cost (including cash and cash equivalents, trade and other receivables and loans to associates); and

— lease receivables.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate;

— lease receivables: discount rate used in the measurement of the lease receivable.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables, lease receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments (including loan commitments issued), the Group recognizes a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. The Group recognizes an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at fair value through comprehensive income (FVOCI) — recycling, for which the loss allowance is recognized in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognized in accordance with Note 2(q)(ii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortized cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganization;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) ***Credit losses from financial guarantees issued***

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognized within "trade and other payables" at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognized in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognized in profit or loss.

Subsequent to initial recognition, the amount initially recognized as deferred income is amortized in profit or loss over the term of the guarantee as income from financial guarantees issued.

The Group monitors the risk that the specified debtor will default on the contract and recognizes a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in "trade and other payables" in respect of the guarantees (i.e. the amount initially recognized, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in Note 2(g)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

(iii) ***Impairment of other non-current assets***

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognized no longer exists or may have decreased:

— property, plant and equipment;

— lease prepayments; and

— investment in subsidiaries in the Company's statements of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount.

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

(h) **Inventories**

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realizable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

(i) **Contract liabilities**

A contract liability is recognized when the customer pays consideration before the Group recognizes the related revenue (see Note 2(q)). A contract liability would also be recognized if the Group has an unconditional right to receive consideration before the Group recognizes the related revenue. In such cases, a corresponding receivable would also be recognized (see Note 2(j)).

(j) **Trade and other receivables**

A receivable is recognized when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognized before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortized cost using the effective interest method less allowance for credit losses (see Note 2(g)(i)).

(k) **Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(g)(i).

(l) **Trade and other payables**

Trade and other payables are initially recognized at fair value. Except for financial guarantee liabilities measured in accordance with Note 2(g)(ii), trade and other payables are subsequently stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) **Interest-bearing borrowings**

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost using the effective interest method. Interest expense is recognized in accordance with the Group's accounting policy for borrowing costs (see Note 2(s)).

(n) **Employee benefits**

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(o) **Income tax**

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

(p) **Provisions and contingent liabilities**

Provisions are recognized for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) **Revenue and other income**

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognized when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognized under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) ***Sale of glass products***

Revenue is recognized when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognized is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

(ii) ***Interest income***

Interest income is recognized as it accrues using the effective interest method. For financial assets measured at amortized cost or fair value through comprehensive income (FVOCI) — recycling that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortized cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(g)(i)).

(iii) ***Rental income from operating leases***

Rental income receivable under operating leases is recognized in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognized as income in the accounting period in which they are earned.

(iv) ***Government grants***

Government grants are recognized in the consolidated statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognized as deferred income and consequently are recognized in profit or loss on a systematic basis over the useful life of the asset by way of reduced depreciation expense.

(r) **Translation of foreign currencies**

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognized in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognizes such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognized.

(s) **Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalization of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(t) **Related parties**

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(u) **Segment reporting**

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

(a) **Critical accounting judgements in applying the Group's accounting policies**

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

(i) Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgement on the future tax treatment of certain transactions. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognized in respect of deductible temporary differences. As those deferred tax assets can only be recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilized, management's judgement is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognized if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

4 REVENUE AND SEGMENT REPORTING

The principal activities of the Group are glass processing and sales of glass products in the PRC.

Revenue represents the sales value of goods sold to customers, net of sales tax and value added tax.

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products lines is as follows:

	Year ended 31 December		Six months ended 30 June	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Sales of:				
— energy-efficient safety glass products	100,355	116,365	52,752	90,492
— smart glass products	17,580	36,206	16,444	8,793
Less: Sales taxes and levies	(303)	(274)	(121)	(186)
Total	117,632	152,297	69,075	99,099

All revenue was recognized at a point in time under HKFRS 15.

The Group's customer base is diversified and includes one, nil, two and one customer with whom transactions have exceeded 10% of the Group's revenues of each of the years ended 31 December 2017, 2018 and the six months ended 30 June 2018, 2019 respectively. Revenues from those customers during the Relevant Periods are set out below:

	Year ended 31 December		Six months ended 30 June	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Customer A	14,574	—*	—*	—*
Customer B	—*	—*	—*	17,337
Customer C	—*	—*	8,979	—*
Customer D	—*	—*	7,329	—*

* Less than 10% of the Group's revenue for the corresponding year.

(b) **Revenue expected to be recognized in the future arising from contracts with customers in existence at the reporting date**

The Group has applied the practical expedient in paragraph 63 of HKFRS 15 to its sales contracts for glass products such that the Group does not disclose information about revenue that the Group will be entitled to when it satisfied the remaining performance obligations under the contracts for sales of other glass products that had an original expected duration of one year or less.

5 OTHER NET INCOME

	Year ended 31 December		Six months ended 30 June	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Government grants[(i)]	6,791	8,426	918	488
Rentals from operating leases	199	199	100	100
Interest income	9	4	2	3
Foreign exchange losses	—	(35)	—	(3)
Others	(3)	(3)	(16)	(14)
	6,996	8,591	1,004	574

(i) Government grants mainly includes: (a) grants relating to expenses which represent unconditional grants received from local government to encourage the Group's development; (b) grants relating to assets which represent the amortisation of deferred revenue.

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Year ended 31 December		Six months ended 30 June	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
(a) Finance costs:				
Interest on bank loans and borrowings wholly repayable within five years	3,060	2,258	1,099	1,114
(b) Staff costs:				
Salaries, wages and other benefits	5,513	5,340	2,748	2,558
Contributions to defined contribution retirement plans[(i)]	884	1,008	528	487
	6,397	6,348	3,276	3,045

(i) Employees of the Group's PRC subsidiary are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's PRC subsidiary contributes funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group has no other material obligation for the payment of retirement benefits associated with the scheme beyond the annual contributions described above.

	Year ended 31 December		Six months ended 30 June	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
(c) Other items:				
Cost of inventories[(i)]	81,806	109,181	50,926	70,447
Depreciation	6,964	7,217	3,559	3,707
Depreciation of right-of-use assets	117	117	58	58
Research and development costs[(ii)]	6,148	7,707	3,145	4,580
(Reversal)/provision of impairment losses on trade and other receivables	(308)	(1,135)	718	392
Operating lease charges	16	16	8	—
Auditors' remuneration	563	525	263	690

(i) Cost of inventories included staff costs of RMB4,348,000, RMB4,133,000, RMB2,142,000, RMB1,942,000 and depreciation of RMB4,449,000, RMB4,449,000, RMB2,320,000, RMB2,294,000 for the year ended 31 December 2017, 2018, the six months ended 30 June 2018 and 2019, which are also included in the respective total amounts disclosed separately above or in Note 6(b).

(ii) Research and development costs included staff costs of RMB722,000, RMB764,000, RMB396,000, RMB354,000 and depreciation of RMB1,533,000, RMB1,644,000, RMB766,000, RMB992,000 for the year ended 31 December 2017, 2018 and the six months ended 30 June 2018 and 2019, which are also included in the respective total amounts disclosed separately above or in Note 6(b).

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(a) Income tax in the consolidated statements of profit or loss represents:

	Year ended 31 December		Six months ended 30 June	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Current tax:				
Provision for PRC income tax for the year (Note 20(a))	3,022	4,830	1,689	2,470
	3,022	4,830	1,689	2,470
Deferred tax:				
Origination and reversal of temporary differences (Note 20(b))	417	(103)	(324)	(90)
	3,439	4,727	1,365	2,380

(b) Reconciliation between actual income tax expense and accounting profit at applicable tax rates:

		Year ended 31 December		Six months ended 30 June	
	Note	2017	2018	2018	2019
		RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before taxation		26,701	36,492	11,044	14,393
Notional tax on profit before taxation, calculated at the rates applicable in the jurisdictions concerned	(i)(ii)	6,682	9,133	2,778	4,808
Effect of preferential tax rate	(iii)	(2,293)	(3,151)	(910)	(1,587)
Additional deduction for qualified research and development expenses	(iv)	(997)	(1,291)	(522)	(859)
Non-deductible expenses		47	36	19	18
Actual income tax		3,439	4,727	1,365	2,380

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

(ii) No provision for Hong Kong Profits Tax was made for the subsidiary incorporated in Hong Kong as the subsidiary did not have income subject to Hong Kong Profits Tax during the Relevant Periods.

(iii) The PRC subsidiary, Hongguang Glass was subject to the PRC statutory income tax rate of 25%. In October 2014 and November 2017, it was accredited as a "High and New Technology Enterprise" and was entitled to a preferential income tax rate of 15% from 2014 to 2020.

(iv) Under the Corporate Income Tax (CIT) Law of the PRC and its relevant regulation, qualified research and development expenses are subject to income tax deduction at 175% in 2019 (2018: 175% and 2017: 150%) on the amount actually incurred.

(v) According to the CIT Law and its implementing regulations of the CIT Law, for dividends payable to investors that are non-resident enterprise (who do not have organizations or places of business in the PRC, or that have organizations and places of business in PRC but to whom the relevant income tax is not effectively connected), 10% of the PRC withholding tax shall be paid, unless there are any applicable tax treaties are reached between the jurisdictions of non-resident enterprises and the PRC which may reduce or provide exemption to the relevant tax. Similarly, any gain derived from the transfer of shares by such investor, if such gain is regarded as income derived from sources within the PRC, shall be subject to 10% PRC income tax rate (or a lower tax treaty rate (if applicable)).

8 DIRECTORS' REMUNERATION

Year ended 31 December 2017

	Director's fee	Salaries, allowances and benefits in kind	Contributions to retirement benefit schemes	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors				
Ms. Lin Weishan	—	107	17	124
Mr. Wei Jiakun	—	156	18	174
	—	263	35	298

Year ended 31 December 2018

	Director's fee	Salaries, allowances and benefits in kind	Contributions to retirement benefit schemes	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors				
Ms. Lin Weishan	—	111	22	133
Mr. Wei Jiakun	—	166	33	199
	—	277	55	332

Six months ended 30 June 2019

	Director's fee	Salaries, allowances and benefits in kind	Contributions to retirement benefit schemes	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors				
Ms. Lin Weishan	—	48	11	59
Mr. Wei Jiakun	—	71	16	87
Mr. Chen Biming	—	30	7	37
Ms. Li Wanna	—	30	7	37
	—	179	41	220

Six months ended 30 June 2018 (unaudited)

	Director's fee	Salaries, allowances and benefits in kind	Contributions to retirement benefit schemes	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors				
Ms. Lin Weishan	—	55	11	66
Mr. Wei Jiakun	—	82	17	99
	—	137	28	165

The directors of the Company were appointed on the following dates:

	Date of appointment	Date of resignation
Executive directors		
Ms. Lin Weishan	25 May 2017	Not applicable
Mr. Wei Jiakun	25 May 2017	Not applicable
Mr. Chen Biming	27 May 2019	Not applicable
Ms. Li Wanna	27 May 2019	Not applicable

No directors of the Company waived or agreed to waive any remuneration during the Relevant Periods.

During the Relevant Periods, there was no amount paid or payable by the Group to the directors or any of the five highest paid individuals set out in Note 9 below as an inducement to join or upon joining the Group or as compensation for loss of office.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five highest paid individuals of the Group for the years ended 31 December 2017, 2018, the six months ended 30 June 2018 and 2019 include two, two, two and two directors whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the remaining three, three, three and three highest paid individuals during the relevant period, are as follows:

	Year ended 31 December		Six months ended 30 June	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries, allowance and benefits in kind	320	333	146	143
Contributions to retirement benefit schemes	47	66	33	22
	367	399	179	165

The emoluments of the individuals who are not director and who are amongst the five highest paid individuals of the Group are within the following bands:

	Year ended 31 December		Six months ended 30 June	
	2017	2018	2018	2019
	Number of individuals	Number of individuals	Number of individuals (unaudited)	Number of individuals
Nil-HKD1,000,000	3	3	3	3

10 EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganization and the presentation of the results for the Relevant Periods using the basis of preparation and presentation as disclosed in Note 1.

11 PROPERTY, PLANT AND EQUIPMENT

	Plant and buildings	Machinery and equipment	Office and other equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cost:				
At 1 January 2017	5,889	64,830	3,421	74,140
Additions	1,239	60	725	2,024
At 31 December 2017 and 1 January 2018	7,128	64,890	4,146	76,164
Additions	—	4,777	—	4,777
At 31 December 2018 and 1 January 2019	7,128	69,667	4,146	80,941
Additions	—	3,098	981	4,079
At 30 June 2019	7,128	72,765	5,127	85,020
Accumulated depreciation:				
At 1 January 2017	4,483	11,316	1,295	17,094
Charge for the year	289	5,984	691	6,964
At 31 December 2017 and 1 January 2018	4,772	17,300	1,986	24,058
Charge for the year	380	6,093	744	7,217
At 31 December 2018 and 1 January 2019	5,152	23,393	2,730	31,275
Charge for the period	142	3,193	372	3,707
At 30 June 2019	5,294	26,586	3,102	34,982
Net book Value:				
At 31 December 2017	2,356	47,590	2,160	52,106
At 31 December 2018	1,976	46,274	1,416	49,666
At 30 June 2019	1,834	46,179	2,025	50,038

The Group's property, plant and equipment are all located in the PRC.

Property, plant and equipment with net book value of RMB247,000 and RMB164,000, RMB139,000 were pledged as security for bank loans amounting to RMB15,000,000, RMB13,000,000, RMB29,000,000 as at 31 December 2017, 2018 and 30 June 2019 respectively.

The Group has not obtained property ownership certificates for certain plant and buildings with net book value of RMB220,000, RMB124,000, RMB100,510 as at 31 December 2017, 2018 and 30 June 2019 respectively.

12 RIGHT-OF-USE ASSETS

	Land use right
	RMB'000
Right-of-use assets	
Cost:	
At 1 January 2017, 31 December 2017, 31 December 2018 and 30 June 2019	4,058
Accumulated amortisation:	
At 1 January 2017	2,008
Charge for the period/year	117
At 31 December 2017 and 1 January 2018	2,125
Charge for the period/year	117
At 31 December 2018 and 1 January 2019	2,242
Charge for the period/year	58
At 30 June 2019	2,300
Net book value:	
At 31 December 2017	1,933
At 31 December 2018	1,816
At 30 June 2019	1,758

Right-of-use assets represent cost of land use rights in respect of land located in the PRC with a lease period of 22-50 years when granted.

The Group has not obtained title owner certificates for land use rights with net book value of RMB1,398,000, RMB1,298,000 and RMB1,248,000 as at 31 December 2017, 2018 and 30 June 2019 respectively.

13 INVENTORIES

(a) Inventories in the consolidated statements of financial position comprise:

	As at 31 December		As at 30 June
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Raw materials	10,882	15,021	18,537
Finished goods	19,930	44,951	55,987
	30,812	59,972	74,524

(b) **The analysis of the amount of inventories recognized as an expense and included in profit or loss is as follows:**

	As at 31 December		As at 30 June
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Carrying amount of inventories sold	81,806	109,181	70,447
Recognized research and development costs	2,992	4,858	2,538
	84,798	114,039	72,985

All of the inventories are expected to be recovered within one year.

14 TRADE AND OTHER RECEIVABLES

	As at 31 December		As at 30 June
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Trade debtors and bills receivable, net of loss allowance	12,034	6,598	14,050
Amounts due from related parties – non-trade *(Note 26(b))*	132	13,126	–
Financial assets measured at amortised cost	12,166	19,724	14,050
Prepayments*	6,919	10,993	20,778
	19,085	30,717	34,828

* As at 30 June 2019, listing expenses amounting to RMB2,638,000 were recorded as prepayments which were expected to be accounted for as a deduction of equity after the completion of the Share Offer.

All of the trade and other receivables are expected to be recovered or recognized as expense within one year.

(a) **Ageing analysis**

As of the end of the Relevant Periods, an ageing analysis of the trade debtors and bills receivable (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follows:

	As at 31 December		As at 30 June
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Within 3 months	7,245	4,541	13,807
More than 3 months but less than 6 months	1,438	2,371	924
More than 6 months	6,735	1,935	1,960
Trade and bills receivables	15,418	8,847	16,691
Less: Allowance for doubtful debts	(3,384)	(2,249)	(2,641)
Trade and bills receivables, net	12,034	6,598	14,050

Further details on the Group's credit policy and credit risk rising from trade debtors and bills receivable are set out in Note 23(a).

15 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) **Cash and cash equivalents comprise:**

	As at 31 December		As at 30 June
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Cash at banks and on hand	661	2,246	4,045

(b) **Reconciliation of profit before taxation to cash generated from operations:**

	Section B Note	Year ended 31 December 2017	Year ended 31 December 2018	Six months ended 30 June 2018	Six months ended 30 June 2019
		RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before taxation		26,701	36,492	11,044	14,393
Adjustments for:					
Depreciation	6(c)	6,964	7,217	3,559	3,707
Depreciation of right-of-use assets	6(c)	117	117	58	58
Finance costs	6(a)	3,060	2,258	1,099	1,114
Interest income	5	(9)	(4)	(2)	(3)
Operating profit before changes in working capital		36,833	46,080	15,758	19,269
Increase in inventories		(14,160)	(29,160)	(448)	(14,552)
Decrease/(increase) in trade and other receivables		19,167	1,362	(24,804)	(17,237)
(Decrease)/increase in trade and other payables		(22,817)	(1,211)	7,471	15,869
Cash generated from/(used in) operations		19,023	17,071	(2,023)	3,349

(c) **Reconciliation of liabilities arising from financing activities**

	Pledged deposits (assets)	Bank loans	Amounts due to related parties-non-trade	Amounts due to third parties-non-trade	Interest payable	Total
	RMB'000	RMB'000 (Note 16)	RMB'000 (Note 18)	RMB'000	RMB'000	RMB'000
At 1 January 2017	(433)	45,650	10,447	2,115	295	58,074
Changes from financing cash flows:						
Proceeds from bank loans	—	51,630	—	—	—	51,630
Advance from related parties	—	—	2,160	—	—	2,160
Advance from a third party	—	—	—	3,680	—	3,680
Repayment of bank loans	—	(66,280)	—	—	—	(66,280)
Repayment of advance from related parties	—	—	(1,281)	—	—	(1,281)
Repayment of advance from a third party	—	—	—	(5,795)	—	(5,795)
Restricted deposits received	433	—	—	—	—	433
Interest paid	—	—	—	—	(3,355)	(3,355)
Total changes from financing cash flows	433	(14,650)	879	(2,115)	(3,355)	(18,808)
Other changes:						
Interest expenses (Note 6(a))	—	—	—	—	3,060	3,060
Total other changes	—	—	—	—	3,060	3,060
At 31 December 2017 and 1 January 2018	—	31,000	11,326	—	—	42,326
Changes from financing cash flows:						
Proceeds from bank loans	—	38,000	—	—	—	38,000
Advance from related parties	—	—	8,342	—	—	8,342
Repayment of bank loans	—	(40,000)	—	—	—	(40,000)
Repayment of advance from related parties	—	—	(10,152)	—	—	(10,152)
Interest paid	—	—	—	—	(2,258)	(2,258)
Total changes from financing cash flows	—	(2,000)	(1,810)	—	(2,258)	(6,068)
Other changes:						
Interest expenses (Note 6(a))	—	—	—	—	2,258	2,258
Foreign exchange losses	—	—	35	—	—	35
Total other changes	—	—	35	—	2,258	2,293
At 31 December 2018	—	29,000	9,551	—	—	38,551

	Pledged deposits (assets)	Bank loans	Amounts due to related parties-non-trade	Amounts due to third parties-non-trade	Interest payable	Total
	RMB'000	RMB'000 (Note 16)	RMB'000 (Note 18)	RMB'000	RMB'000	RMB'000
At 31 December 2018	—	29,000	9,551	—	—	38,551
Changes from financing cash flows:						
Proceeds from bank loans	—	36,000	—	—	—	36,000
Advance from related parties	—	—	5,006	—	—	5,006
Repayment of bank loans	—	(35,000)	—	—	—	(35,000)
Repayment of advance from related parties	—	—	(2,900)	—	—	(2,900)
Interest paid	—	—	—	—	(1,114)	(1,114)
Total changes from financing cash flows	—	1,000	2,106	—	(1,114)	1,992
Other changes:						
Settlement by netting of liabilities (i)	—	—	(7,587)	—	—	(7,587)
Interest expenses (Note 6(a))	—	—	—	—	1,114	1,114
Foreign exchange losses	—	—	36	—	—	36
Total other changes	—	—	(7,551)	—	1,114	(6,437)
At 30 June 2019	—	30,000	4,106	—	—	34,106
At 31 December 2017 and 1 January 2018 (unaudited)	—	31,000	11,326	—	—	42,326
Changes from financing cash flows:						
Proceeds from bank loans	—	38,000	—	—	—	38,000
Advance from related parties	—	—	1,021	—	—	1,021
Repayment of bank loans	—	(31,000)	—	—	—	(31,000)
Repayment of advance from related parties	—	—	(106)	—	—	(106)
Interest paid	—	—	—	—	(1,099)	(1,099)
Total changes from financing cash flows	—	7,000	915	—	(1,099)	6,816
Other changes:						
Interest expenses (Note 6(a))	—	—	—	—	1,099	1,099
Total other changes	—	—	—	—	1,099	1,099
At 30 June 2018	—	38,000	12,241	—	—	50,241

(i) On 31 January 2019, the Company, Hongguang HK, Wei Jiakun and Orient Success Ventures Limited entered into an agreement that Wei Jiakun shall make the payment on behalf of the Company and Hongguang HK to settle their payables due to Orient Success Ventures Limited amounting to HKD2,800,000.

On 3 June 2019, Hongguang HK, Wei Jiakun and Lin Weishan entered into an agreement that Wei Jiakun shall make the payment on behalf of Hongguang HK to settle its payables due to Lin Weishan amounting to HKD185,000.

On 5 June 2019, Hongguang Glass, Hongguang HK and Wei Jiakun entered into an agreement to net-off the following receivables and payables within the three parties: (i) receivables of Hongguang HK due from Wei Jiakun amounting to RMB9,894,000; (ii) payables of Hongguang HK due to Wei Jiakun amounting to RMB8,736,000; and (iii) payables of Hongguang Glass due to Wei Jiakun amounting to RMB1,158,000.

16 BANK LOANS

Bank loans were all repayable within 1 year or on demand, and secured as follows:

	As at 31 December		As at 30 June
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Bank loans			
— secured[i]	31,000	29,000	30,000

(i) Secured bank loans of RMB31,000,000, RMB29,000,000 and RMB30,000,000 were guaranteed by the Ms. Lin Weishan, Mr. Wei Jiakun and Ms. Liu Rong (hereinafter referred to as the "Controlling Shareholders") as at 31 December 2017, 2018 and 30 June 2019 respectively. Among which, secured bank loans of RMB31,000,000 and RMB29,000,000 were additionally guaranteed by a third party, Jieyang Hongfu Glass Co., Ltd. ("Jieyang Hongfu") as at 31 December 2017 and 2018 respectively, and RMB16,000,000, RMB16,000,000 were additionally guaranteed by other related parties as at 31 December 2017 and 2018 respectively. No bank loans were additionally guaranteed by other related parties as at 30 June 2019 (see Note 26(c)). In addition, RMB15,000,000, RMB13,000,000 and RMB29,000,000 were secured by property, plant and equipment (see Note 11) as at 31 December 2017, 2018 and 30 June 2019 respectively.

(ii) As at 31 December 2017, 2018 and 30 June 2019, bank loans carried interest within the range of 5.00%-5.66%, 5.87%-6.53% and 5.79%-7.00% per annum respectively.

17 LOANS TO DIRECTORS

Loans to directors of the Company disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

(a) Loans made by the Company

Name of borrower	Wei Jiakun
Relationship with the Company	One of the Controlling Shareholders
Terms of the loan	
— duration and repayment terms	Repayable on 31 July 2019
— loan amount	HKD14,890,000 (RMB equivalent: RMB13,047,000)
— interest rate	Nil

Balance of the loan	
— at 31 December 2018	HKD14,830,000 (RMB equivalent: RMB12,994,000)
— at 30 June 2019	Nil
Maximum balance outstanding	
— during 2018	HKD14,890,000 (RMB equivalent: RMB13,047,000)
— during the six months ended 30 June 2019	HKD14,830,000 (RMB equivalent: RMB13,046,000)

There was no amount due but unpaid, nor any loss allowance made against the principal amount of or interest on the above loan at 31 December 2017, 2018 and 30 June 2019.

18 TRADE AND OTHER PAYABLES

	As at 31 December		As at 30 June
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Trade payables	870	752	4,172
Other payables and accruals	4,168	6,886	11,836
Amounts due to related parties-non-trade (Note 26(b))	11,326	9,551	4,106
Financial liabilities measured at amortised cost	16,364	17,189	20,114

All trade and other payables are expected to be settled within one year.

The amounts due to related parties are unsecured, non-interest bearing and repayable on demand.

As of the end of each Relevant Periods, the ageing analysis of trade payables (which are included in trade and other payables), based on the invoice date, is as follows:

	As at 31 December		As at 30 June
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Within 3 months	78	752	4,071
More than 3 months but less than 6 months	—	—	15
More than 6 months but less than 12 months	792	—	86
	870	752	4,172

19 CONTRACT LIABILITIES

	As at 31 December		As at 30 June
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Contract liabilities			
Receipt in advance			
— Billings in advance of performance	1,948	2,873	9,176

20 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Income tax payable in the consolidated statements of financial position represent:

	Year ended 31 December		Six months ended 30 June
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Provision for PRC income tax:			
Balance at 1 January	4,267	4,460	6,922
Provision for current income tax for the year/period	3,022	4,830	2,470
Payment during the year/period	(2,829)	(2,368)	(3,377)
Balance at 31 December/30 June	4,460	6,922	6,015

(b) Deferred tax assets recognized

The components of deferred tax assets recognized in the consolidated statements of financial position and the movements during the Relevant Periods are as follows:

	Accruals and provisions	Deferred revenue	Total
	RMB'000	RMB'000	RMB'000
Deferred tax assets arising from:			
At 1 January 2017	2,016	643	2,659
(Charged)/credited to profit or loss	(891)	474	(417)
At 31 December 2017 and 1 January 2018	1,125	1,117	2,242
Credited/(charged) to profit or loss	243	(140)	103
At 31 December 2018	1,368	977	2,345
Credited/(charged) to profit or loss	160	(70)	90
At 30 June 2019	1,528	907	2,435

(c) Deferred tax liabilities not recognized

Deferred tax liabilities in respect of the undistributed profits of the subsidiary in the PRC were not recognized as the Company controls the dividend policy of these subsidiaries and it was determined that it was probable that these profits would not be distributed in the foreseeable future.

21 DEFERRED REVENUE

	As at 31 December		As at 30 June
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Government grants	7,447	6,511	6,043

Government grants are related to assets those are obtained by the Group for the purposes of purchase, construction or acquisition of the long-term assets.

22 CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's equity between the beginning and the end of the Relevant Period are set out below:

The Company	Share capital	Share premium	Retained earnings	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000
	Note 21(b)	Note 21(c)		
Balance at 25 May 2017 (date of incorporation)	—	—	—	—
Changes in equity for 2017				
Profit for the year	—	—	—	—
Total comprehensive income for the year	—	—	—	—
Issuance of shares	—*	—	—	—*
Balance at 31 December 2017 and 1 January 2018	—*	—	—	—*
Changes in equity for 2018				
Profit for the year	—	—	34	34
Total comprehensive income for the year	—	—	34	34
Issuance of shares	—*	11,464	—	11,464
Balance at 31 December 2018	—*	11,464	34	11,498
Changes in equity for 2018				
Loss for the period	—	—	(4,819)	(4,819)
Total comprehensive income for the period	—	—	(4,819)	(4,819)
Balance at 30 June 2019	—*	11,464	(4,785)	6,679

* The balance represents an amount less than RMB1,000.

(b) **Share capital**

The Company was incorporated in the Cayman Islands on 25 May 2017 as part of the Reorganization, which was completed on 11 July 2018, and became the holding company of the Group since then.

For the purpose of the Historical Financial Information, the share capital of the Group as at 1 January 2017 and 31 December 2017 represents the aggregate amount of the paid-in capital of all the entities comprising the Group, after elimination of investments in subsidiaries. The share capital of the Group as at 31 December 2018 and 30 June 2019 represents the share capital of the Company.

(i) ***Ordinary shares of the Company***

	Number of shares issued	Nominal value of fully paid shares	Nominal value of fully paid shares
		HKD	RMB
At 25 May 2017 (date of incorporation) and 31 December 2017	1	0.01	0.01
Issuance of shares	99	0.99	0.87
At 31 December 2018 and 30 June 2019	**100**	**1.00**	**0.88**

Pursuant to the shareholder's resolution passed on 11 December 2019, the directors of the Company are authorised to allot and issue a total of 224,999,900 ordinary shares credited as fully paid at par to the existing shareholders of the Company in proportion to their respective shareholdings by way of capitalization of the sum of HKD2,249,999 standing to the credit of the share premium of the Company.

The proposed Capitalization Issue has not become effective as of the date of this report and will only take place immediately prior to the completion of the Share Offer, details of which are set out in the section headed "Capitalization Issue and Share Offer" included in the Prospectus.

(c) **Share premium**

The Share premium represents the difference between the par value of the shares of the Company and consideration for the issuance of the shares of the Company. Under the Companies Law of the Cayman Islands, the share premium account of the Company is distributable to the shareholders of the Company.

(d) **Capital reserve**

As at 30 June 2019, the capital reserve represented the difference between the paid-in capital of Hongguang Glass and the consideration paid to obtain the equity interests of Hongguang Glass as part of the Reorganization.

(e) **PRC statutory reserve**

Statutory reserve is established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC.

In accordance with the PRC Company Law, a subsidiary of the Group which is domestic enterprise is required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to its respective statutory reserves until the reserves reach 50% of its respective registered capital. For the entity concerned, statutory reserves can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital.

(f) **Dividends**

No dividends were paid to the equity shareholders of companies now comprising the Group during the Relevant Periods.

(g) **Capital management**

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a net debt-to-equity ratio. This ratio is calculated as net debt divided by equity. The Group defines net debt as loans and borrowings less pledged bank deposits and cash and cash equivalents. Total equity comprises all components of equity.

During the years ended 31 December 2017, 2018 and the six months ended 30 June 2019, the Group's strategy was to maintain the adjusted net debt-to-capital ratio at a range considered reasonable by management. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The net debt-to-equity ratios at 31 December 2017, 2018 and 30 June 2019 were as follows:

		As at 31 December		As at 30 June
	Note	2017	2018	2019
		RMB'000	RMB'000	RMB'000
Bank loans	16	31,000	29,000	30,000
Total debt		31,000	29,000	30,000
Less: Cash and cash equivalents	15(a)	(661)	(2,246)	(4,045)
Adjusted net debt		30,339	26,754	25,955
Total equity		45,620	84,267	96,280
Adjusted net debt-to-equity ratio		67%	32%	27%

23 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity and interest rate risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks, for which the Group considers to have low credit risk.

Except for the financial guarantees given by the Group as set out in Note 26(d), the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in Note 25.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at 31 December 2017, 8.2% of the total trade receivables were due from the Group's largest customer, 28.9% of the total trade receivables were due from the Group's five largest customers respectively. As at 31 December 2018, no trade receivables were due from the Group's largest customer, 29.3% of the total trade receivables were due from the Group's five largest customer. As at 30 June 2019, 27.2% of the total trade receivables were due from the Group's largest customer, 37.5% of the total trade receivables were due from the Group's five largest customers respectively.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 60 days from the date of delivery. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2017, 2018 and 30 June 2019:

		31 December 2017		31 December 2018		30 June 2019	
	Expected loss rate	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current and 0-270 days past due	5%	11,724	(586)	6,945	(347)	14,789	(739)
More than 270 days past due	50%	1,792	(896)	—	—	—	—
		13,516	(1,482)	6,945	(347)	14,789	(739)
Individually impaired		1,902	(1,902)	1,902	(1,902)	1,902	(1,902)
		15,418	(3,384)	8,847	(2,249)	16,691	(2,641)

Expected loss rates are based on actual loss experience over the past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

(b) **Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realizable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay:

	As at 30 June 2019 Contractual undiscounted cash outflow			
	Within 1 year or on demand	More than 1 year but less than 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans	31,748	—	31,748	30,000
Trade and other payables	20,114	—	20,114	20,114
	51,862	—	51,862	50,114

	As at 31 December 2018 Contractual undiscounted cash outflow			
	Within 1 year or on demand	More than 1 year but less than 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans	30,788	–	30,788	29,000
Trade and other payables	17,189	—	17,189	17,189
	47,977	—	47,977	46,189

	As at 31 December 2017 Contractual undiscounted cash outflow			
	Within 1 year or on demand	More than 1 year but less than 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans	32,655	—	32,655	31,000
Trade and other payables	16,364	—	16,364	16,364
	49,019	—	49,019	47,364

(c) **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from bank loans. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

(i) ***Interest rate profile***

The following table details the interest rate profile of the Group's loans and borrowings at the end of the reporting period:

	As at 31 December 2017		As at 31 December 2018		As at 30 June 2019	
	Interest rate		Interest rate		Interest rate	
	%	RMB'000	%	RMB'000	%	RMB'000
Fixed rate borrowings:						
Bank loans	—	—	—	—	—	—

	As at 31 December 2017		As at 31 December 2018		As at 30 June 2019	
	Interest rate		Interest rate		Interest rate	
	%	RMB'000	%	RMB'000	%	RMB'000
Variable rate borrowings:						
Bank loans	5.00%-5.66%	31,000	5.87%-6.53%	29,000	5.79%-7.00%	30,000
Total borrowings		31,000		29,000		30,000
Fixed rate borrowings as a percentage of total borrowings . . .		0%		0%		0%

(ii) ***Sensitivity analysis***

At 31 December 2017, 2018 and 30 June 2019, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB264,000, RMB247,000 and RMB 255,000 respectively.

The sensitivity analysis above indicates the annualised impact on the Group's interest expense that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to floating rate instruments which expose the Group to cash flow interest rate risk at that date. The analysis does not take into account exposure to fair value interest rate risk arising from fixed rate instruments which are measured at fair value in the financial statements.

(d) **Currency risk**

As the Group's principal activities are carried out in the PRC, the Group's transactions are mainly dominated in Renminbi, which is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place through the People's Bank of China or other institutions authorised to buy and sell foreign exchange. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China that are determined largely by supply and demand.

The directors considered the Group's exposure to foreign currency risk is not significant during the Relevant Periods.

(e) **Fair value measurement**

(i) ***Financial assets and liabilities measured at fair value***

31 December 2017, 2018 and 30 June 2019, the Group and the Company didn't hold any material financial instruments carried at fair value.

(ii) ***Fair value of financial assets and liabilities carried at other than fair value***

The carrying amounts of the Group's financial instruments carried at cost or amortized cost were not materially different from their fair values as at 31 December 2017, 2018 and 30 June 2019.

24 COMMITMENTS

(a) Capital Commitments

	As at 31 December		As at 30 June
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Authorised but not contracted for	—	26,000	26,000
Contracted for but not provided for	—	—	892
	—	26,000	26,892

25 CONTINGENT ASSETS AND LIABILITIES

Financial guarantees issued

As at 31 December 2017, the Group issued a guarantee in respect of loans of RMB9,300,000 made by a bank to a third party, Jieyang Hongfu. The directors do not consider it probable that a claim will be made against the Group under the guarantee. The guarantee was released during the year ended 31 December 2018.

26 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the Financial Information, the Group entered into the following material related party transactions.

During the Relevant Periods, the directors are of the view that the following companies and persons are related parties of the Group:

Name of party	*Relationship*
Lin Weishan 林偉珊	One of the Controlling Shareholders
Wei Jiakun 魏佳坤	One of the Controlling Shareholders
Liu Rong 劉茸	One of the Controlling Shareholders
Orient Success Ventures Limited 東勝創投有限公司	One of the Investors
Zheng Xubin 鄭旭斌	A member of the key management personnel
Hongguang Mirror 揭陽市東山區宏光鏡藝廠	Company controlled by Mr Wei Jiakun and Miss Liu Rong

Note: The English translation of the above company names is for reference only. The official names of the companies established in the PRC are in Chinese.

(a) **Significant related party transactions**

	Year ended 31 December		Six months ended 30 June	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Advances from related parties:				
Lin Weishan	35	4,841	172	163
Wei Jiakun	2,125	1,048	843	4,843
Orient Success Ventures Limited	—	2,453	—	—
	2,160	8,342	1,015	5,006

	Year ended 31 December		Six months ended 30 June	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Repayments of advances from related parties:				
Zheng Xubin	1,281	—	—	—
Lin Weishan	—	110	106	4,951
Wei Jiakun	—	876	—	3,073
Liu Rong	—	9,166	—	—
Orient Success Ventures Limited	—	—	—	2,463
	1,281	10,152	106	10,487

	Year ended 31 December		Six months ended 30 June	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Loans to directors:				
Wei Jiakun	—	13,047	—	—

	Year ended 31 December		Six months ended 30 June	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Repayment of loans to directors:				
Wei Jiakun	—	53	—	13,126

Advances from related parties and loans to directors of the Group are unsecured, interest-free and have no fixed term of repayment. The directors of the Company have confirmed that the above transactions will not be continued in the future after the listing of the Company's shares on the Stock Exchange.

(b) **Balances with related parties**

As at the end of the respective reporting period, the Group had the following balances with related parties:

	As at 31 December		As at 30 June
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Amounts due to (non-trade):			
Wei Jiakun	2,125	2,332	4,106
Lin Weishan	35	4,766	—
Liu Rong	9,166	—	—
Orient Success Ventures Limited	—	2,453	—
	11,326	9,551	4,106

	As at 31 December		As at 30 June
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Amounts due from (non-trade):			
Wei Jiakun	132	13,126	—

The amounts due to/from related parties are unsecured, interest-free and have no fixed terms of repayment. The above balances have been fully settled as of 31 August 2019.

(c) **Guarantees provided by related parties**

	As at 31 December		As at 30 June
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Controlling Shareholders	31,000	29,000	30,000
Hongguang Mirror	16,000	16,000	—

The directors of the Company confirm that these guarantees will be released before the listing of the Company's shares on the Stock Exchange.

(d) **Key management personnel remuneration**

Key management personnel remuneration is disclosed in Notes 8 and 9.

(e) **Free use of lands and buildings**

Hongguang Glass was formerly established as a sino-foreign cooperative joint venture over which Hongguang Mirror held 50% equity interests through its contribution of certain land, facilities including buildings and equipment (the "Contributed Assets"). Since the termination of the sino-foreign cooperative joint venture in November 2012, the legal ownership for two pieces of land and certain buildings included in the Contributed Assets have not been transferred from Hongguang Glass back to Hongguang Mirror. Instead, Hongguang Glass is agreed by Hongguang Mirror to use these land and buildings free of charge. Such Contributed Assets are not recognized as assets of the Group during the Relevant Periods as the Group does not have legal title over the assets and the Contributed Assets could be taken back by Hongguang Glass from time to time. During the Relevant Periods, Hongguang Glass did not occupy these land and buildings for its own business operation but only pledged the two pieces of land to secure the repayment of a loan of RMB5,500,000 made by a bank to Jieyang Hongfu during 2017 and 2018. Till 31 December 2018, the above pledge was released.

27 NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2019

Up to the date of issue of the Historical Financial Information, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting period beginning on 1 January 2019 and which have not been adopted in the Historical Financial Information. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Revised Conceptual Framework for Financial Reporting 2018	1 January 2020
HKFRS 3 *(Revised), Business Combinations*	1 January 2020
HKFRS 1 *(Revised), Presentation of Financial Statements*	1 January 2020
HKFRS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*	1 January 2020

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far the Group has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

28 NON-ADJUSTING POST BALANCE SHEET DATE EVENTS

Pursuant to the shareholders' resolution passed on 11 December 2019, conditional further on the share premium account of the Company being credited as a result of the Share Offer, the directors of the Company are authorised to allot and issue a total of 224,999,900 ordinary shares credited as fully paid at par to the existing shareholders of the Company in proportion to their respective shareholdings by way of capitalization of the sum of HKD2,249,999 standing to the credit of the share premium of the Company. The Capitalization Issue will not become effective until the Completion of the Share Offer.

Further details related to this matter are set out in the section headed "History, Reorganization and Group Structure" included in the Prospectus.

29 SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 30 June 2019.

The following information does not form part of the Accountants' Report from KPMG, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included for information purposes only. The pro forma financial information should be read in conjunction with the "Financial Information" section in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted consolidated net tangible assets of our Group, prepared in accordance with paragraph 7.31 of the GEM Listing Rules and on the basis of the notes set forth below for the purpose of illustrating the effect of the Share Offer on the consolidated net tangible assets attributable to the equity Shareholders of the Company as if the Share Offer had taken place on 30 June 2019. This unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only, and because of this hypothetical nature, it may not give a true picture of the consolidated net tangible assets attributable to the equity Shareholders of the Company had the Share Offer and Capitalization Issue been completed on 30 June 2019 or at any future dates.

	Consolidated net tangible assets attributable to the equity Shareholders of the Company as of 30 June 2019 [1]	**Estimated net proceeds from the Share Offer**[2]	**Unaudited pro forma adjusted consolidated net tangible assets attributable to the equity Shareholders of the Company**[3]	**Unaudited pro forma adjusted consolidated net tangible assets to the equity Shareholders of the Company per Share**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*[4]	*HK$*[5]
Based on an Offer Price of HK$0.77 per Share	96,280	27,920	124,200	0.41	0.46
Based on an Offer Price of HK$0.89 per Share	96,280	36,001	132,281	0.44	0.49

1 The consolidated net tangible assets attributable to the equity shareholders of the Company as of 30 June 2019 is calculated based on the audited consolidated net assets attributable to the equity shareholders of the Company of RMB96,280,000 as of 30 June 2019, extracted from the Accountants' Report set out in Appendix I to the Prospectus.

2 The estimated net proceeds from the Share Offer are based on the Offer Prices of HK$0.77 and HK$0.89 per Share, respectively, being the lower end price and higher end price of the stated Offer Price range, after deduction of the underwriting fees and other related expenses payable by the Company of RMB24.0 million (excluding RMB11.1 million which had been charged to the profit and loss prior to 30 June 2019), and does not take into account any Shares which may be issued upon the exercise of the Offer Size Adjustment Option.

3 No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to 30 June 2019.

4 The unaudited pro forma adjusted consolidated net tangible assets attributable to the equity Shareholders of the Company is calculated based on 300,000,000 shares in total assuming that the Capitalization Issue and the Share Offer have been completed on 30 June 2019 but taking no account of any shares which may be issued upon the exercise of the Offer Size Adjustment Option.

5 The estimated net proceeds from the Share Offer and unaudited pro forma adjusted consolidated net tangible assets to the equity Shareholders of the Company per share are converted into Renminbi at a rate of HK$1.00 =RMB0.89789, being the exchange rate set by the PBOC prevailing on 21 December 2019. No representation is made that the Hong Kong Dollars amounts have been, could have been or may be converted into Renminbi, or vice versa at that rate.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose for inclusion in this prospectus.

KPMG

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF CHINA HONGGUANG HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of China Hongguang Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 30 June 2019 and related notes as set out in Part A of Appendix II to the prospectus dated 31 December 2019 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "Share Offer") on the Group's financial position as at 30 June 2019 as if the Share Offer had taken place at 30 June 2019. As part of this process, information about the Group's financial position as at 30 June 2019 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the "GEM Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 7.31 of the GEM Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 30 June 2019 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Use of Proceeds" in the Prospectus.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group, and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

Certified Public Accountants
Hong Kong
31 December 2019

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 25 May 2017 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "**Companies Law**"). On the Listing Date, the Company's constitutional documents will consist of its Memorandum of Association (the "**Memorandum**") and its Articles of Association (the "**Articles**").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 11 December 2019 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) **Alteration of capital**

The Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) **Transfer of shares**

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) **Power of the Company to purchase its own shares**

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

(vi) **Power of any subsidiary of the Company to own shares in the Company**

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) **Calls on shares and forfeiture of shares**

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) **Directors**

(i) **Appointment, retirement and removal**

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

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

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) **Power to allot and issue shares and warrants**

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) **Power to dispose of the assets of the Company or any of its subsidiaries**

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) **Borrowing powers**

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) **Remuneration**

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past

Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) **Compensation or payments for loss of office**

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) **Loans and provision of security for loans to Directors**

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) **Disclosure of interests in contracts with the Company or any of its subsidiaries**

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) **Proceedings of the Board**

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) **Alterations to constitutional documents and the Company's name**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) **Meetings of members**

(i) **Special and ordinary resolutions**

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) **Voting rights and right to demand a poll**

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) **Annual general meetings and extraordinary general meetings**

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

(iv) **Notices of meetings and business to be conducted**

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers; and

(ee) the fixing of the remuneration of the directors and of the auditors.

(v) **Quorum for meetings and separate class meetings**

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) **Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) **Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) **Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) **Inspection of corporate records**

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) **Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) **Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) **Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) **Company operations**

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) **Share capital**

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account." At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) **Financial assistance to purchase shares of a company or its holding company**

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) **Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) **Dividends and distributions**

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) **Protection of minorities and shareholders' suits**

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) **Disposal of assets**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) **Accounting and auditing requirements**

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) **Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) **Taxation**

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 29 June 2017.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) **Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) **Loans to directors**

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) **Inspection of corporate records**

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) **Register of members**

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by Section 40 of the Companies Law. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) **Register of Directors and Officers**

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(p) **Beneficial Ownership Register**

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) **Winding up**

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) **Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) **Take-overs**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) **Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) **Economic Substance Requirements**

Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 of the Cayman Islands ("ES Law") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Law. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Law.

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to "Appendix V — Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection — Documents Available for Inspection" to this Prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

1. FURTHER INFORMATION ABOUT THE COMPANY

A. *Incorporation*

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Cayman Islands Companies Law on 25 May 2017. The Company was registered as a non-Hong Kong company with the Registrar of Companies in Hong Kong under Part 16 of the Companies Ordinance on 24 July 2018. Our principal place of business in Hong Kong is at 9th Floor, Wah Yuen Building, 149 Queen's Road Central, Central, Hong Kong. Mr. Wong Cheung Ki Johnny has been appointed as the authorized representative of the Company for acceptance of service of process and notices on behalf of the Company in Hong Kong.

As the Company is incorporated in the Cayman Islands, we operate subject to Cayman Islands law and our constitutional documents comprising the Memorandum of Association and Articles of Association. A summary of various provisions of our constitutional documents and relevant aspects of the Cayman Islands Companies Law is set out in Appendix III to this Prospectus.

B. *Changes in Share Capital of the Company*

The Company was incorporated in the Cayman Islands on 25 May 2017 with an authorized share capital of HK$380,000 divided into 38,000,000 Shares of HK$0.01 each, with one subscriber Share allotted and issued at par to an initial subscriber, an Independent Third Party. On the same date, such initial subscriber transferred its one Share to Ming Liang Global at par. On the same date, Ming Liang Global paid up such one Share transferred to and held by it.

On 11 July 2018 and 12 July 2018, 59 Shares and seven Shares were allotted and issued by the Company to Ming Liang Global, respectively at the issue price of HK$0.01 per Share.

On 13 July 2018, the Company entered into the Pre-IPO Agreement with Orient Success and Power Solution, pursuant to which Orient Success agreed to subscribe for and the Company agreed to allot and issue 22 Shares at a consideration of HK$8,800,000, and Power Solution agreed to subscribe for and the Company agreed to allot and issue 11 Shares at a consideration of HK$4,400,000. The total consideration for the Pre-IPO Investments was fully and irrevocably settled on 17 July 2018 and the Pre-IPO Investments were completed on the same date.

On 11 December 2019, the authorized share capital of the Company was increased from HK$380,000 to HK$10,000,000 by the creation of 962,000,000 Shares to rank pari passu with the then existing Shares in all respects.

Assuming that the Share Offer becomes unconditional and the Offer Shares are issued immediately following completion of the Capitalization Issue and the Share Offer (without taking into account any shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option), the issued share capital of the Company immediately following the Capitalization Issue and the Share Offer will be HK$3,000,000 divided into 300,000,000 Shares, which will be allotted and issued fully paid or credited as fully paid, and 700,000,000 Shares will remain unissued.

Save as disclosed above and as mentioned in "— 1. Further Information about the Company — C. Written Resolution of Our Shareholders Passed on 11 December 2019," there has been no alteration in the share capital of the Company since its incorporation.

C. ***Written Resolutions of Our Shareholders Passed on 11 December 2019***

1. Pursuant to the written resolutions of our Shareholders passed on 11 December 2019, among other matters:

   (a) the Company approved and adopted the Memorandum of Association with immediate effect and conditionally approved and adopted the Articles of Association with effect from the Listing Date;

   (b) the authorized share capital of the Company was increased from HK$380,000 to HK$10,000,000 by the creation of an additional 962,000,000 Shares each ranking pari passu with the existing Shares in all respects and the Company adopted the Memorandum of Association to reflect the said increase;

   (c) conditional on (i) the Stock Exchange granting the listing of and permission to deal in our Shares in issue and to be issued as mentioned in this Prospectus, and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the date falling 30 days after the date of this Prospectus:

      (i) the Share Offer and the Offer Size Adjustment Option were approved and our Directors were authorized to allot and issue the Offer Shares and the Shares as may be required to be allotted and issued upon the exercise of the Offer Size Adjustment Option;

      (ii) conditional on the share premium account of the Company being credited as a result of the issue of the Offer Shares from the Share Offer, the Capitalization Issue was approved, and our Directors were authorized to capitalize HK$2,249,999 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 224,999,900 Shares for allotment and issue to the Shareholders whose names appear on the register of members of the Company at the close of business on 11 December 2019, each ranking pari passu in all respects with the then existing issued Shares;

   (d) a general unconditional mandate (the "**Issuing Mandate**") was given to our Directors to exercise all the powers to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with the Articles of Association, or pursuant to the exercise of any options which may be granted under any option scheme or similar arrangement for the time being adopted, Shares with an aggregate number of not exceeding 20% of the aggregate number of Shares in issue and to be allotted and issued pursuant to the Capitalization Issue and the Share Offer (excluding Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option);

(e) a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors authorizing them to exercise all powers of the Company to repurchase Shares on the Stock Exchange or on any other approved stock exchange on which the securities of the Company may be listed and which are recognized by the SFC and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the GEM Listing Rules or equivalent rules or regulations of any other stock exchanges as amended from time to time, and such number of Shares will represent up to 10% of the aggregate number of Shares in issue immediately following completion of the Capitalization Issue and the Share Offer (excluding Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option); and

(f) the Issuing Mandate was extended by the addition to the aggregate number of Shares which may be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by our Directors pursuant to such general mandate of such number of Shares representing the aggregate number of Shares repurchased by the Company pursuant to the Repurchase Mandate provided that such extended number shall not exceed 10% of the total number of Shares in issue immediately following completion of the Capitalization Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option).

Each of the general mandates referred to in paragraphs (d), (e) and (f) above will remain in effect until whichever is the earliest of:

(a) the conclusion of our next annual general meeting, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;

(b) the expiration of the period within which we are required by any applicable law or the Articles of Association to hold our next annual general meeting; or

(c) the time when such mandate is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

D. ***The Reorganization***

In preparation for the Listing, the companies comprising our Group underwent the Reorganization. Please refer to "History, Reorganization and Group Structure" in this Prospectus for details of the Reorganization.

E. ***Changes in the Share Capital of Our Subsidiaries***

The Company's subsidiaries are referred to in the Accountants' Report as set out in Appendix I to this Prospectus. Save for the subsidiaries mentioned in the Accountants' Report and in "History, Reorganization and Group Structure" in this Prospectus, the Company has no other subsidiaries.

Save as disclosed in "History, Reorganization and Group Structure," there has been no other alteration in the share capital of any of the subsidiaries of the Company within the two years immediately preceding the date of this Prospectus.

F. ***Repurchase by the Company of Its Own Securities***

This section sets out information required by the Stock Exchange to be included in this Prospectus concerning the repurchase by the Company of its own securities.

(a) **Provisions of the GEM Listing Rules**

The GEM Listing Rules permit companies with a primary listing on GEM to repurchase their own securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) *Shareholder's approval*

All proposed repurchase of Shares must be approved in advance by an ordinary resolution of the shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to the written resolutions of our Shareholders passed on 11 December 2019, the Repurchase Mandate was given to our Directors to repurchase 30,000,000 Shares, representing 10% of the aggregate number of Shares in issue immediately following the completion of the Capitalization Issue and the Share Offer (excluding shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option). The Repurchase Mandate will remain in effect until the earliest of: (i) the conclusion of the next annual general meeting, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; (ii) the expiration of the period within which the Company is required by any applicable law or the Articles of Association to hold the next annual general meeting of the Company; or (iii) the time when the Repurchase Mandate is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

(ii) *Source of funds*

Any repurchases of Shares by the Company must only be paid out of funds legally available for the purpose in accordance with the Memorandum of Association and Articles of Association, the GEM Listing Rules and the Cayman Islands Companies Law. The Company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Any repurchases may be made out of funds legally available for the purpose, namely profits, share premium of the Company or the proceeds of a fresh issue of shares made for the purpose. Any premium on a purchase may be made out of profits or the Company's share premium account. Subject to satisfaction of the statutory solvency test prescribed by the Cayman Islands Companies Law, a purchase may also be made out of capital.

(iii) *Trading restrictions*

The total number of Shares which the Company is authorized to repurchase on the Stock Exchange is such number of Shares which represents up to a maximum of 10% of the existing issued share capital of the Company as of the date of the resolution approving the repurchase. The Company may not issue or announce an issue of securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. The Company shall also not purchase our Shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which our Shares were traded on the Stock Exchange.

(iv) *Shares to be purchased*

The GEM Listing Rules provide that the shares which are proposed to be purchased by a company must be fully paid up.

(v) *Status of repurchased securities*

The listing of all repurchased securities (whether on the Stock Exchange or otherwise) is automatically cancelled and the relative certificates for those securities must be cancelled and destroyed. Under the laws of the Cayman Islands, a company's repurchased securities may be treated as cancelled and, if so cancelled, the amount of that company's issued share capital shall be reduced by the aggregate nominal value of the repurchased shares accordingly, although the authorised share capital of the company will not be reduced.

(vi) *Suspension of repurchases*

A listed company may not make any repurchase of securities after inside information has come to its knowledge until the inside information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of: (aa) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the GEM Listing Rules); and (bb) the deadline for publication of an announcement of a listed company's results for any year or half-year under the GEM Listing Rules, or quarterly or any other interim period (whether or not required under the GEM Listing Rules) and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the GEM Listing Rules.

(vii) *Reporting requirements*

Repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following Business Day. In addition, the Company's annual report is required to disclose details regarding repurchases of securities made during the year, including the number of securities repurchased and the aggregate prices paid. The directors' report is also required to contain reference to the purchases made during the year and the Directors' reasons for making such purchases. The Company shall make arrangements with its broker who effects the purchase to provide the Company in a timely fashion the necessary information in relation to the purchase made on behalf of the Company to enable the Company to report to the Stock Exchange.

(viii) *Core connected persons*

The Company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "core connected person," that is, a Director, chief executive or Substantial Shareholder of the Company or any of its subsidiaries or their associates (as defined in the GEM Listing Rules) and a core connected person is prohibited from knowingly selling his securities to the Company.

(b) **Share capital**

The exercise in full of the Repurchase Mandate, on the basis of 300,000,000 Shares in issue immediately following completion of the Capitalization Issue and the Share Offer (assuming the Offer Size Adjustment Option is not exercised), could accordingly result in up to 30,000,000 Shares being repurchased by the Company during the period prior to the date on which the Repurchase Mandate expires or terminates.

(c) **General information relevant to the Repurchase Mandate**

(i) Our Directors believe that it is in the best interests of the Company and our Shareholders to have a general authority from our Shareholders to enable our Directors to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit the Company and our Shareholders as a whole. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of our net value and our assets and/or earnings per Share.

(ii) There might be a material adverse impact on our working capital or gearing position (as compared with the position disclosed in this Prospectus) in the event that the Repurchase Mandate is exercised in full. However, our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on our working capital requirements or on such gearing levels that our Directors consider appropriate from time to time.

(iii) None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their respective associates, have any present intention to sell any Shares to the Company if the Repurchase Mandate is exercised.

(iv) Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate only in accordance with the GEM Listing Rules, the Articles of Association and the applicable laws and regulations of the Cayman Islands. We shall procure the broker who effects the repurchase of securities to disclose to the Stock Exchange such information in relation to the purchase as the Stock Exchange may request.

(v) If, as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder (or a group of Shareholders acting in concert, as defined in the Takeovers Code), depending on the level of increase of the Shareholder's interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences that may arise under the Takeovers Code as a result of any repurchase pursuant to the Repurchase Mandate.

(vi) Any repurchase of Shares which results in the amount of Shares held by the public being reduced to less than 25% could only be implemented with the agreement of the Stock Exchange to waive the requirement regarding the public float referred to above. Except in extraordinary circumstances, a waiver of this provision would not normally be given by the Stock Exchange.

(vii) No core connected person (as defined in the GEM Listing Rules) has notified us that he has any present intention to sell Shares to the Company, nor has any core connected person undertaken not to do so, if the Repurchase Mandate is exercised.

2. FURTHER INFORMATION ABOUT OUR BUSINESS

A. *Summary of Material Contracts*

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of our Group within the two years preceding the date of this Prospectus and are, or may be, material:

(a) the equity transfer contract dated 9 July 2018 and entered into between Hongguang Mirror as transferor and Hongguang Technology as transferee, pursuant to which Hongguang Mirror transferred its 50% equity interest in Hongguang Glass to Hongguang Technology for a consideration of RMB2,291,035;

(b) the equity transfer contract dated 9 July 2018 and entered into between Ms. Lin as transferor and Hongguang Technology as transferee, pursuant to which Ms. Lin transferred her 50% equity interest in Hongguang Glass to Hongguang Technology for a consideration of RMB2,291,035;

(c) the share subscription agreement dated 13 July 2018 and entered into between the Company, Orient Success and Power Solution, pursuant to which Orient Success agreed to subscribe for and the Company agreed to allot and issue 22 Shares at a consideration of HK$8,800,000, and Power Solution agreed to subscribe for and the Company agreed to allot and issue 11 Shares at a consideration of HK$4,400,000;

(d) the Deed of Indemnity;

(e) the Deed of Non-Competition; and

(f) the Public Offer Underwriting Agreement.

B. ***Our Intellectual Property Rights***

(a) **Trademarks**

As of the Latest Practicable Date, our Group had registered the following trademarks in the PRC and Hong Kong which we consider to be material to the business of our Group:

No.	Trademark	Place of registration	Class	Registration no.	Expiry date
1.	宏光	PRC	19	17966524A	13 December 2026
2.		PRC	19	14163260	20 April 2025
3.		PRC	19	7531800	20 October 2020
4.	宏光	Hong Kong	19	304113314	18 April 2027
5a.		Hong Kong	19	304113305	18 April 2027
5b.		Hong Kong	19	304113305	18 April 2027

(b) **Patents**

(i) As of the Latest Practicable Date, our Group had registered the following patents in the PRC which we consider to be material to the business of our Group:

No.	Patent	Registered owner	Type	Patent number	Date of application	Expiry date
1.	A type of high-light-transmittance golden quasi-double-silver LOW-E glass and manufacturing method (一種高透光率的金色類雙銀LOW-E玻璃及製備方法)	Hongguang Glass	Invention patent (發明專利)	ZL201410634938.9	12 November 2014	11 November 2034
2.	A type of high-light-transmittance golden triple-silver LOW-E glass and manufacturing method (一種高透光率的金色三銀LOW-E玻璃及製備方法)	Hongguang Glass	Invention patent (發明專利)	ZL201410634888.4	12 November 2014	11 November 2034
3.	A type of high-light-transmittance golden single-silver LOW-E glass and manufacturing method (一種高透光率的金色單銀LOW-E玻璃及製備方法)	Hongguang Glass	Invention patent (發明專利)	ZL201410637287.9	12 November 2014	11 November 2034
4.	A type of crystal lamp pendant glass manufacturing method (一種水晶燈掛件玻璃的製作方法)	Hongguang Glass	Invention patent (發明專利)	ZL201310717313.4	21 December 2013	20 December 2033
5.	Electrochromic smart windows and its packaging method (電致變色智能窗及其封裝方法)	Hongguang Glass	Invention patent (發明專利)	ZL201510730857.3	30 October 2015	29 October 2035
6.	A type of new glass for aircraft windows (一種用於飛機窗的新型玻璃)	Hongguang Glass	Utility model patent (實用新型專利)	ZL201320855996.5	21 December 2013	20 December 2023
7.	A type of new crystal pendant glass (一種新型水晶掛件玻璃)	Hongguang Glass	Utility model patent (實用新型專利)	ZL201320854895.6	21 December 2013	20 December 2023

No.	Patent	Registered owner	Type	Patent number	Date of application	Expiry date
8.	A type of new low-radiation glass (一種新型低輻射玻璃)	Hongguang Glass	Utility model patent (實用新型專利)	ZL201320854827.X	21 December 2013	20 December 2023
9.	A type of new solar cell module (一種新型太陽能電池組件)	Hongguang Glass	Utility model patent (實用新型專利)	ZL201320854637.8	21 December 2013	20 December 2023
10.	A type of new unidirectional visible low-radiation glass (一種新型單向可視低輻射玻璃)	Hongguang Glass	Utility model patent (實用新型專利)	ZL201320854763.3	21 December 2013	20 December 2023
11.	A type of tempered golden single-silver LOW-E glass (一種可鋼化的金色單銀LOW-E玻璃)	Hongguang Glass	Utility model patent (實用新型專利)	ZL201520840227.7	24 October 2015	23 October 2025
12.	A type of tempered highly wear-resistant golden double-silver LOW-E glass (一種可鋼化的高耐磨性金色雙銀LOW-E玻璃)	Hongguang Glass	Utility model patent (實用新型專利)	ZL201520838986.X	24 October 2015	23 October 2025
13.	A type of electrochromic smart windows (一種電致變色智能窗)	Hongguang Glass	Utility model patent (實用新型專利)	ZL201520867393.6	30 October 2015	29 October 2025
14.	A type of highly infrared-reflective electrochromic glass (一種高紅外反射電致變色玻璃)	Hongguang Glass	Utility model patent (實用新型專利)	ZL201621391104.0	16 December 2016	15 December 2026
15.	A type of highly infrared-reflective solid state electrochromic glass (一種高紅外反射全固態電致變色玻璃)	Hongguang Glass	Utility model patent (實用新型專利)	ZL201621391103.6	16 December 2016	15 December 2026
16.	A type of highly infrared-reflective coated glass (一種高紅外反射鍍膜玻璃)	Hongguang Glass	Utility model patent (實用新型專利)	ZL201720152633.3	20 February 2017	19 February 2027

No.	Patent	Registered owner	Type	Patent number	Date of application	Expiry date
17.	A type of green tone low-radiation coated glass (一種綠色基調的低輻射鍍膜玻璃)	Hongguang Glass	Utility model patent (實用新型專利)	ZL201720154263.7	20 February 2017	19 February 2027
18.	A type of multi-layered coated glass (一種多層鍍膜玻璃)	Hongguang Glass	Utility model patent (實用新型專利)	ZL201820251560.8	12 February 2018	11 February 2028
19	A type of new electrochromic glass (一種新型電致變色玻璃)	Hongguang Glass	Utility model patent (實用新型專利)	ZL201821838717.3	8 November 2018	7 November 2028
20	A type of electrochromic glass (一種電致變色玻璃)	Hongguang Glass	Utility model patent (實用新型專利)	ZL201821838718.8	8 November 2018	7 November 2028

(ii) As of the Latest Practicable Date, our Group had applied for the registration of the following patents in the PRC which we consider to be material to the business of our Group:

No.	Patent	Applicant	Type	Application number	Date of application
1.	A type of highly infrared-reflective electrochromic glass and its manufacturing method (一種高紅外反射電致變色玻璃及其製備方法)	Hongguang Glass	Invention patent (發明專利)	201611168288.9	16 December 2016
2.	A type of highly infrared-reflective solid state electrochromic glass and its manufacturing method (一種高紅外反射全固態電致變色玻璃及其製備方法)	Hongguang Glass	Invention patent (發明專利)	201611167762.6	16 December 2016
3.	A type of highly infrared-reflective coated glass and its manufacturing method (一種高紅外反射鍍膜玻璃及其製備方法)	Hongguang Glass	Invention patent (發明專利)	201710088686.8	20 February 2017
4.	A type of green tone low-radiation coated glass and its manufacturing method (一種綠色基調的低輻射鍍膜玻璃及其製備方法)	Hongguang Glass	Invention patent (發明專利)	201710091524.X	20 February 2017

No.	Patent	Applicant	Type	Application number	Date of application
5.	A type of reduced-reflection coated glass manufacturing method (一種減反射鍍膜玻璃製備方法)	Hongguang Glass	Invention patent (發明專利)	201810144844.1	12 February 2018
6.	A type of hydrophobic self-cleaning glass film liquid and its manufacturing method (一種疏水自清潔玻璃膜液及其製備方法)	Hongguang Glass	Invention patent (發明專利)	201810144811.7	12 February 2018
7.	A type of screen printing molybdenum doped tungsten oxide nanostructure electrochromic thin film and its manufacturing method (一種絲網印刷鉬摻雜氧化鎢納米結構電致變色薄膜的製備方法)	Hongguang Glass and Donghua University	Invention patent (發明專利)	201710270879.5	24 April 2017
8.	A type of electro-spinned porous quasi-solid electrochromic PVB electrolyte membrane and its manufacturing method (一種靜電紡絲法製備多孔准固態電致變色PVB電解質膜及其製備工藝)	Hongguang Glass and Donghua University	Invention patent (發明專利)	201710270896.9	24 April 2017
9.	A type of manufacturing method of electrochromic glass (一種電致變色玻璃的製作方法)	Hongguang Glass	Invention patent (發明專利)	201811325353.3	8 November 2018
10.	A type of manufacturing method of new electrochromic glass (一種新型電致變色玻璃)	Hongguang Glass	Invention patent (發明專利)	201811324897.8	8 November 2018
11.	Phosphorus doped self-cleaning double-silver Low-E glass with unbalanced layers of coating and its manufacturing method (磷摻雜自潔淨非對稱類雙銀LOW-E玻璃及其製備方法)	Hongguang Glass	Investment patent (發明專利)	201910237896.8	27 March 2019
12.	Phosphorus doped self-cleaning double-silver Low-E glass with unbalanced layers of coating (磷摻雜自潔淨非對稱類雙銀LOW-E玻璃)	Hongguang Glass	Utility model patent (實用新型專利)	201920410781.X	27 March 2019

No.	Patent	Applicant	Type	Application number	Date of application
13.	Phosphorus doped self-cleaning triple-silver Low-E glass and its manufacturing method (磷摻雜自潔淨三銀LOW-E玻璃及其製備方法)	Hongguang Glass	Investment patent (發明專利)	201910237905.3	27 March 2019
14.	Phosphorus doped self-cleaning triple-silver Low-E glass (磷摻雜自潔淨三銀LOW-E玻璃)	Hongguang Glass	Utility model patent (實用新型專利)	201920405904.0	27 March 2019
15.	A type of phosphorus doped self-cleaning single-silver Low-E glass and its manufacturing method (一種磷摻雜自潔淨單銀LOW-E玻璃及其製備方法)	Hongguang Glass	Investment patent (發明專利)	201910238435.2	27 March 2019
16.	A type of phosphorus doped self-cleaning single-silver Low-E glass (一種磷摻雜自潔淨單銀LOW-E玻璃)	Hongguang Glass	Utility model patent (實用新型專利)	201920405901.7	27 March 2019
17.	A type of phosphorus doped self-cleaning double-silver Low-E glass and its manufacturing method (一種磷摻雜自潔淨雙銀LOW-E玻璃及其製備方法)	Hongguang Glass	Investment patent (發明專利)	201910237889.8	27 March 2019
18.	A type of phosphorus doped self-cleaning double-silver Low-E glass (一種磷摻雜自潔淨雙銀Low-E玻璃)	Hongguang Glass	Utility model patent (實用新型專利)	201920405903.6	27 March 2019

(c) **Domain names**

As of the Latest Practicable Date, our Group had registered the following domain names which we consider to be material to the business of our Group:

No.	Domain name	Registered owner	Date of registration	Expiry date
1.	hongguang.hk	Hongguang Glass	5 February 2017	5 February 2020
2.	chinesehongguang.com	Hongguang Glass	3 April 2014	3 April 2023

The contents of the website(s), registered or licensed, do not form part of this Prospectus.

Except as aforesaid, there are no other trademarks or service marks, patents, other intellectual or industrial property rights which are or may be material in relation to our Group's business.

3. FURTHER INFORMATION ABOUT OUR GROUP'S SUBSIDIARIES IN THE PRC

Brief particulars of the subsidiary of the Company established in the PRC are set out below:

Name	:	Hongguang Glass
Date of establishment	:	10 April 1992
Legal representative	:	Ms. Liu
Registered capital	:	RMB4.38 million
Owner of the registered capital	:	Hongguang Technology
Attributable interest to the Company	:	100%
Nature	:	Limited liability company (wholly foreign-owned enterprise)
Scope of business	:	Manufacture and sale of coated glass and processed glass products
Term of operations	:	Long term

4. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

A. ***Particulars of Directors' Service Contracts***

(a) **Executive Directors**

Each of our executive Directors has entered into a service contract on 11 December 2019 with the Company commencing from the Listing Date for a term of three years unless terminated by either party by giving at least three months' notice in writing to the other party.

Each of our executive Directors is entitled to a director's fee and a basic salary. The current basic annual remuneration (excluding any discretionary bonus which may be paid) payable by our Group to our executive Directors pursuant to the respective service contracts are set out below:

Executive Director	HK$
Mr. Wei	347,000
Ms. Lin	271,000
Mr. Chen Biming	214,000
Ms. Li Wanna	214,000

(b) **Independent non-executive Directors**

Each of our independent non-executive Directors has entered into a service contract on 11 December 2019 with the Company for an initial term of one year commencing on the Listing Date and shall continue for an additional term of one year upon expiry of the initial term unless terminated by either party by giving at least three months' notice in writing to the other party. The current basic annual remuneration payable by the Company to the independent non-executive Directors pursuant to the respective service contracts are as follows:

Independent non-executive Director	HK$
Ms. Chen Xiuyan	120,000
Mr. Jia Xiaogang	120,000
Mr. Wu Yong	120,000

B. ***Directors' Remuneration***

(a) For the years ended 31 December 2017 and 2018 and the six months ended 30 June 2019, the aggregate of the remuneration including Director's fee, salaries, allowances and benefits in kind and contributions to retirement benefit schemes granted to our Directors was RMB298,000, RMB332,000 and RMB220,000, respectively. Further information in respect of our Directors' remuneration is set out in Appendix I to this Prospectus.

Save as disclosed above and as mentioned in "Directors and Senior Management – Remuneration Policy," no other emoluments have been paid or are payable for the Track Record Period by the Company to our Directors.

(b) Under the arrangements currently in force, the estimated amount of directors' fees and other emoluments payable to our Directors for the year ending 31 December 2020 will be approximately HK$1,406,000, excluding the discretionary bonuses payable to the Directors.

C. ***Interests of Directors and Chief Executive in Our Shares, Underlying Shares and Debentures of the Company and Its Associated Corporations***

Immediately following completion of the Capitalization Issue and the Share Offer (without taking into account any Shares that may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option), the interests and short positions of our Directors and chief executive in our Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which, once the Shares are listed on the Stock Exchange, will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will require to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, will be as follows:

(a) **Long position in Shares**

Name of Director	Capacity	Number of Shares[1]	Approximate percentage of shareholding (%)
Mr. Wei	Settlor of a discretionary trust; Interest of spouse	150,750,000 (L)[2]	50.25
Ms. Lin	Settlor of a discretionary trust; Interest of spouse	150,750,000 (L)[2]	50.25

Notes:

1. The letter "L" denotes the entity/person's long position in our Shares.

2. These Shares are held by Ming Liang Global, the entire issued share capital of which is held by Wei Family Limited, which is in turn entirely held by IQ EQ (BVI), acting as the trustee of Family Trust. Family Trust is a discretionary trust established by Mr. Wei, Ms. Lin (the spouse of Mr. Wei) and Ms. Liu (the mother of Mr. Wei) as the settlors and the beneficiaries of Family Trust include Mr. Wei, Ms. Lin, Ms. Liu and certain family members of Mr. Wei. Each of Mr. Wei, Ms. Lin, Ms. Liu, IQ EQ (BVI) and Wei Family Limited is deemed to be interested in the Shares held by Ming Liang Global by virtue of the SFO.

Save as disclosed above, based on the information available on the Latest Practicable Date, immediately following completion of the Share Offer (assuming the Offer Size Adjustment Option will not be exercised) and the Capitalization Issue, none of our Directors or chief executives of the Company has any interest or short position in our Shares, underlying Shares or debentures of the Company or any of its associated corporations which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, once our Shares are listed.

D. ***Substantial Shareholders***

So far as our Directors are aware, information on the persons, not being Directors or the chief executive of the Company, who will have, immediately following completion of the Capitalization Issue and the Share Offer (without taking into account any Shares that may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or Shares that may be taken by a person under the Share Offer which would affect disclosure in this section) an interest or short position in our Shares and underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group will be as follows:

Name	Capacity/nature of interest	Number of Shares directly or indirectly held[(1)]	Approximate percentage of shareholding in the Company (%)
Ming Liang Global . . .	Beneficial owner	150,750,000 (L)[(2)]	50.25
Wei Family Limited . .	Interest in a controlled corporation	150,750,000 (L)[(2)]	50.25
IQ EQ (BVI)	Trustee of a trust	150,750,000 (L)[(2)]	50.25
Mr. Wei	Settlor of a discretionary trust; Interest of spouse	150,750,000 (L)[(2)]	50.25
Ms. Lin	Settlor of a discretionary trust; Interest of spouse	150,750,000 (L)[(2)]	50.25
Ms. Liu	Settlor of a discretionary trust	150,750,000 (L)[(2)]	50.25
Orient Success	Beneficial owner	49,500,000 (L)[(3)]	16.50
Ms. Wang Yaqing	Interest in a controlled corporation	49,500,000 (L)[(3)]	16.50
Power Solution	Beneficial owner	24,750,000 (L)[(4)]	8.25
Mr. Li Wei	Interest in a controlled corporation	24,750,000 (L)[(4)]	8.25

Notes:

1. The letter "L" denotes the entity/person's long position in our Shares.

2. These Shares are held by Ming Liang Global, the entire issued share capital of which is held by Wei Family Limited, which is in turn entirely held by IQ EQ (BVI), acting as the trustee of Family Trust. Family Trust is a discretionary trust established by Mr. Wei, Ms. Lin (the spouse of Mr. Wei) and Ms. Liu (the mother of Mr. Wei) as the settlors and the beneficiaries of Family Trust include Mr. Wei, Ms. Lin, Ms. Liu and certain family members of Mr. Wei. Each of Mr. Wei, Ms. Lin, Ms. Liu, IQ EQ (BVI) and Wei Family Limited is deemed to be interested in the Shares held by Ming Liang Global by virtue of the SFO.

3. These Shares are held by Orient Success, which is beneficially owned by Ms. Wang Yaqing. Ms. Wang Yaqing is deemed to be interested in these Shares by virtue of the SFO.

4. These Shares are held by Power Solution, which is beneficially owned by Mr. Li Wei as to 50%, and the other two individuals as to 25% and 25%, respectively. Mr. Li Wei is deemed to be interested in these Shares by virtue of the SFO.

E. ***Related Party Transactions***

The related party transactions during the Track Record Period are also set out in Notes 26 (a)-(e) of the Accountants' Report attached as Appendix I to this Prospectus.

F. ***Disclaimers***

Except as disclosed in this Prospectus:

(a) none of our Directors nor any of the experts referred to "— 5. Other Information — H. Consents of Experts" has any direct or indirect interest in the promotion of the Company, or in any assets which have been within the two years immediately preceding the date of this Prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be so acquired, disposed of or leased;

(b) none of our Directors or any of the experts referred to "— 5. Other Information — H. Consents of Experts" is materially interested in any contract or arrangement subsisting at the date of this Prospectus which is significant in relation to our business;

(c) none of the experts referred to "— 5. Other Information — H. Consents of Experts" has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group, save in connection with the Underwriting Agreements, nor is in the employment or an officer of the Company;

(d) we have no outstanding convertible debt securities;

(e) none of our Directors, any of their associates (as defined in the GEM Listing Rules) or any Shareholder (which to the knowledge of our Directors owns more than 5% of the issued share capital of the Company) has any interest in any of the five largest suppliers or five largest customers of our Group; and

(f) no amount or securities or benefit has been paid or allotted or given within the two years immediately preceding the date of this Prospectus to any of our promoters nor is any such amount or securities or benefit intended to be paid or allotted or given.

5. OTHER INFORMATION

A. ***Estate Duty***

We have been advised that no material liability for estate duty is likely to fall on us or any of our subsidiaries in the PRC and that the Cayman Islands currently have no estate duty, inheritance tax or gift tax.

B. ***Indemnities***

Mr. Wei, Ms. Lin, Ms. Liu, Wei Family Limited and Ming Liang Global (together, the "**Indemnifiers**") have entered into the Deed of Indemnity in favor of the Company (for itself and as trustee for each of its present subsidiaries) (being a material contract referred to in "— 2. Further Information about our Business — A. Summary of Material Contracts") to provide the following indemnities in favor of our Group. Under the Deed of Indemnity, amongst others, the Indemnifiers will jointly and severally indemnify each of the members of our Group against the following:

(i) any liability to any form of taxation and duty whenever created or imposed, whether of Cayman Islands, BVI, Hong Kong, PRC or of any other part of the world, and without prejudice to the generality of the foregoing includes (without limitation) profits tax, provisional profits tax, business tax on gross income, income tax, value added tax, interest tax, salaries tax, property tax, land appreciation tax, lease registration tax, estate duty (with respect to Hong Kong, the estate duty which might be incurred by any member of our Group by reason of any transfer of property within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) to any member of our Group), capital gains tax, death duty, capital duty, stamp duty, payroll tax, withholding tax, corporate income tax, rates, customs and excise duties and generally any tax duty, impost, levy or rate or any amount payable to the revenue, customs or fiscal authorities whether of local, municipal, provincial, national, state or federal level whether of Cayman Islands, BVI, Hong Kong, PRC or any other part of the world;

(ii) all reasonable costs (including all legal costs), expenses or other liabilities which any member of our Group may properly incur in connection with: (i) the investigation, the assessment or the contesting of any taxation claim; or (ii) the settlement of any claim under the Deed of Indemnity; or (iii) any legal proceedings in which any member of our Group claims under or in respect of the Deed of Indemnity and in which judgment is given for any member of our Group; or (iv) the enforcement of any such settlement or judgment, falling on any member of our Group resulting from or by reference to any income, profits or gains earned, accrued or received on or before the Listing Date or any event or transaction on or before the Listing Date whether alone or in conjunction with any circumstances whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm, company or corporation;

(iii) all fines, penalties, claims, damages, liabilities, losses, costs, fees, expenses, actions and proceedings (if any) which any member of the Group may suffer, sustain or incur or which may be commenced, brought or instituted against any member of the Group and become payable arising out of or in connection with any non-compliance or alleged non-compliance by any member of the Group with any applicable rules, regulations and laws of the PRC or on before the Listing Date;

(iv) the non-compliance or violation by Hongguang Glass with or of the applicable rules, regulations and laws of the PRC in relation to its purchase(s) and sale(s) of tempered glass labelled with its brand during the period when Hongguang Glass's relevant China Compulsory Product Certification was suspended; and

(v) any possible shortfall payment of the PRC enterprise income tax by any member of our Group on or before the Listing Date, in particular, for the six months ended 30 June 2019 arising from the misinterpretation of the relevant tax laws and regulations on tax exemption by any member of our Group.

Our Directors have been advised that no material liability for estate duty is likely to fall on the Company or any of its subsidiaries in the Cayman Islands and the PRC.

The Indemnifiers are under no liability under the Deed of Indemnity in respect of any taxation:

(i) to the extent that provision or reserve has been made for such taxation in the audited accounts of any member of our Group for any accounting period up to 30 June 2019;

(ii) to the extent that such taxation or liability falling on any member of our Group in respect of any accounting period commencing on or after 1 July 2019, where such liability for such taxation would not have arisen but for some act or omission of, or transaction voluntarily entered into by any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers, otherwise than any such act, omission or transaction:

(A) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or before 1 July 2019; and

(B) carried out, made or entered into pursuant to a legally binding commitment created on or before 1 July 2019 or pursuant to any statement of intention made in this Prospectus; or

(iii) to the extent that such taxation liabilities or claims arise or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or the taxation authority of the PRC, or any other relevant authority (whether in Hong Kong or the PRC or any other part of the world) coming into force after the date of the Deed of Indemnity or to the extent such claim arises or is increased by an increase in rates of taxation or claim after the date of the Deed of Indemnity with retrospective effect; or

(iv) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group up to 30 June 2019 which is finally established to be an over-provision or an excessive reserve in which case the Indemnifiers' liability (if any) in respect of taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

C. ***Litigation***

Save for an outstanding sum of RMB1.9 million claimed by Hongguang Glass, the details of which are disclosed in "Business — Legal and Regulatory Matters — Legal Proceedings" in this Prospectus, neither the Company nor any of its subsidiaries engages in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance is known by the Directors to be pending or threatened by or against any member of our Group.

D. ***Promoters***

The Company has no promoter for the purposes of the GEM Listing Rules. Within the two years immediately preceding the date of this Prospectus, no cash, securities or other benefit has been paid, allotted or given nor is any proposed to be paid, allotted or given to any promoters in connection with the Share Offer and the related transactions described in this Prospectus.

E. ***Sole Sponsor***

The Sole Sponsor has made an application on behalf of the Company to the Listing Division of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this Prospectus on the Stock Exchange. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

The Sole Sponsor is independent of the Company in accordance with Rule 6A.07 of the GEM Listing Rules.

The Sole Sponsor will be paid by the Company a total fee of HK$5,800,000 to act as the sponsor to the Company in connection with the Share Offer.

F. ***Preliminary Expenses***

The preliminary expenses of the Company are estimated to be approximately HK$58,800, and are payable by the Company.

G. ***Qualifications of Experts***

The following are the qualifications of the experts which have given their opinions or advice which are contained, or referred to, in this Prospectus:

Expert	Qualification
Dongxing Securities (Hong Kong) Company Limited	Licensed corporation under the SFO to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as defined in the SFO
Beijing DHH Law Firm	PRC Legal Advisers
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
KPMG	Certified public accountants
HCR Co., Ltd.	Industry consultant
Shenzhen City Shirui Building Technology Co., Ltd	Building consultant
BT Corporate Governance Limited	Internal control consultant

H. ***Consents of Experts***

Each of the experts referred to above has given and has not withdrawn its written consent to the issue of this Prospectus with inclusion of its report and/or letter and/or valuation certificate(s) and/or the references to its name in the form and context in which they are respectively included.

As of the Latest Practicable Date, none of the experts referred to above has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

I. ***Binding Effect***

This Prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

J. ***Taxation of holders of Shares***

(a) *Hong Kong*

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, of the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. Our Directors have been advised that no material liability or estate duty under the laws of Hong Kong would be likely to fall upon any member of our Group.

(b) *Cayman Islands*

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares save for those which hold interests in land in the Cayman Islands.

(c) *Consultation with professional advisers*

Intending holders of the Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications on subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the Share Offer can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

K. ***Compliance Adviser***

We have appointed Dongxing Securities as the compliance adviser upon the Listing in compliance with Rule 6A.19 of the GEM Listing Rules. Further details of the appointment are set out in "Directors and Senior Management — Compliance Adviser" in this Prospectus.

L. ***Miscellaneous***

Except as disclosed in this Prospectus, within the two years immediately preceding the date of this Prospectus:

(a) no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid for either cash or a consideration other than cash;

(b) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(c) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries.

Our Directors confirm that:

(a) no founder, management or deferred shares or debentures of the Company or any of its subsidiaries have been issued or agreed to be issued;

(b) since 30 June 2019 (being the date to which the latest audited consolidated financial statements of our Group were made up) there has not been any material adverse change in the financial or trading position or prospects of our Group;

(c) all necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement;

(d) no company within our Group is presently listed on any stock exchange or traded on any trading system;

(e) the register of members of the Company will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited; and

(f) there has not been any interruption in the business of our Group which may have or have had a material adverse effect on the financial position of our Group in the 12 months immediately preceding the date of this Prospectus.

M. ***Bilingual Prospectus***

The English language and Chinese language versions of this Prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this Prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the **WHITE**, **YELLOW** and **GREEN** Application Forms;

(b) the written consents referred to in "Appendix IV — Statutory and General Information — 5. Other Information — H. Consents of Experts" to this Prospectus; and

(c) a copy of each of the material contracts referred to in "Appendix IV — Statutory and General Information — 2. Further Information about Our Business — A. Summary of Material Contracts" to this Prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of MinterEllison LLP at Level 32, Wu Chung House, 213 Queen's Road East, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this Prospectus:

(a) the amended and restated Memorandum of Association and Articles of Association;

(b) the Accountants' Report from KPMG, the text of which is set out in Appendix I to this Prospectus;

(c) the report from KPMG in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this Prospectus;

(d) the audited consolidated financial statements of our Group for the two years ended 31 December 2017 and 2018 and the six months ended 30 June 2019;

(e) the letter of advice from Conyers Dill & Pearman, our Cayman Islands legal advisers, summarising the constitution of the Company and certain aspects of the company law of the Cayman Islands as referred to in "Appendix III — Summary of the Constitution of the Company and Cayman Islands Company Law" to this Prospectus;

(f) the Cayman Islands Companies Law;

(g) the legal opinions issued by Beijing DHH Law Firm, our PRC Legal Advisers in respect of our Group's business operations and property interests in the PRC;

(h) the material contracts referred to in "Appendix IV — Statutory and General Information — 2. Further Information about Our Business — A. Summary of Material Contracts" to this Prospectus;

(i) the service contracts with each of the executive Directors and each of the independent non-executive Directors referred to in "Appendix IV — Statutory and General Information — 4. Further Information about Directors and Substantial Shareholders — A. Particulars of Directors' Service Contracts" to this Prospectus;

(j) the written consents referred to in "Appendix IV — Statutory and General Information — 5. Other Information — H. Consents of Experts" to this Prospectus;

(k) the industry report prepared by HCR Co., Ltd. as referred to in "Industry Overview" in this Prospectus;

(l) the report on product quality control prepared by BT Corporate Governance Limited; and

(m) the safety assessment reports prepared by Shenzhen City Shirui Building Technology Co., Ltd.

宏光

CHINA HONGGUANG HOLDINGS LIMITED
中國宏光控股有限公司