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China Hongguang Holdings Limited

中國宏光控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8646)

2020 FIRST QUARTERLY RESULTS ANNOUNCEMENT

The board of directors (the “**Board**”) of China Hongguang Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the three months ended 31 March 2020. This announcement, containing the full text of the 2020 first quarterly report of the Group, complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**GEM Listing Rules**”) in relation to information to accompany preliminary announcement of first quarterly results.

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

Hong Kong, 13 May 2020

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

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

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



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



FIRST QUARTERLY REPORT

第一季度報告

2020

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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 that the companies listed on GEM are generally small and mid-sized companies, 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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, 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 report.

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

This report will be available on the Company’s website www.hongguang.hk and will remain on the “Latest Listed Company Information” page on the GEM website at www.hkgem.com for at least 7 days from the date of its posting.



CONTENTS

Corporate Information	2
First Quarterly Unaudited Results	4
Condensed Consolidated Statement of Profit and Loss and Other Comprehensive Income	4
Unaudited Condensed Consolidated Statement of Changes in Equity	5
Notes to the Unaudited Condensed Consolidated Results	6
Management Discussion and Analysis	16
Other Information	23

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. WEI Jiakun (*Chief Executive Officer*)

Ms. LIN Weishan (*Chairwoman*)

Mr. CHEN Biming

Ms. LI Wanna

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. CHEN Xiuyan

Mr. JIA Xiaogang

Mr. WU Yong

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

JOINT COMPANY SECRETARIES

Mr. WONG Cheung Ki Johnny

FCPA, FCIS, FCS

Mr. WENG Weilin

AUTHORIZED REPRESENTATIVES

Mr. WEI Jiakun

Mr. WENG Weilin

COMPLIANCE OFFICER

Mr. WEI Jiakun

AUDITOR

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater 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

9/F., Wah Yuen Building

149 Queen's Road Central

Central, 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 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 AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited
17M Floor
Hopewell Centre
183 Queen's Road East
Wan Chai, 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

STOCK CODE

8646

COMPANY WEBSITE ADDRESS

www.hongguang.hk

LEGAL ADVISER

Stephenson Harwood
18/F United Centre
95 Queensway
Hong Kong
(Solicitors of Hong Kong)

FIRST QUARTERLY UNAUDITED RESULTS

The board of directors (the “Board”) of China Hongguang Holdings Limited (the “Company”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months ended 31 March 2020, together with the unaudited comparative figures for the corresponding period in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2020

		For the three months ended 31 March	
	Notes	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Revenue	3	23,226	43,971
Cost of sales		16,667	30,869
Gross profit		6,559	13,102
Other net income	4	278	242
Sales and marketing expenses		84	366
General and administrative expenses		4,111	4,009
Profit from operations		2,642	8,969
Finance costs	5(a)	828	550
Profit before taxation		1,814	8,420
Income tax	6	373	1,264
Profit for the period		1,441	7,156
Earnings per share	7		
Basic and diluted (RMB Yuan)		0.006	0.032
Profit for the period		1,441	7,156
Other comprehensive income for the period		—	—
Total comprehensive income for the period		1,441	7,156

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2020

	PRC						
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 31 December 2018 and 1 January 2019 (Audited)	<u>—*</u>	<u>11,464</u>	<u>(202)</u>	<u>2,190</u>	<u>—</u>	<u>70,815</u>	<u>84,267</u>
Total comprehensive income for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>7,156</u>	<u>7,156</u>
Balance at 31 March 2019 (Unaudited)	<u>—*</u>	<u>11,464</u>	<u>(202)</u>	<u>2,190</u>	<u>—</u>	<u>77,971</u>	<u>91,423</u>
Balance at 31 December 2019 and 1 January 2020 (Audited)	<u>—*</u>	<u>11,464</u>	<u>(202)</u>	<u>2,190</u>	<u>182</u>	<u>97,472</u>	<u>111,106</u>
Total comprehensive income for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,441</u>	<u>1,441</u>
Capitalisation issue	<u>2,020</u>	<u>(2,020)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Issuance of shares upon initial public offering, net of issuance costs	<u>673</u>	<u>44,220</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>44,893</u>
Balance at 31 March 2020 (Unaudited)	<u>2,693</u>	<u>53,664</u>	<u>(202)</u>	<u>2,190</u>	<u>182</u>	<u>98,913</u>	<u>157,440</u>

* The balance represents an amount less than RMB1,000.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the three months ended 31 March 2020

1. GENERAL 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, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Upon the completion of a reorganisation (“the Reorganisation”) on 11 July 2018 to prepare for an initial public offering (“the IPO”), the Company became the holding company now comprising the Group. Details of the Reorganisation are set out in the Company’s prospectus dated 31 December 2019 in connection with the IPO of the Company’s shares on GEM (“GEM”) of the Stock Exchange of Hong Kong Limited (“the Listing”). The Company completed the Listing on 13 January 2020. The Company and its subsidiaries (together, “the Group”) are principally engaged in the manufacture and sales of architectural glass products in the People’s Republic of China (“PRC”).

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The unaudited condensed consolidated results for the three months ended 31 March 2020 have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), of which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited.

The HKICPA has issued a new HKFRS, HKFRS 16, Leases and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Statement of compliance *(Continued)*

As disclosed in the Company's prospectus dated 31 December 2019 under the Listing, the Group has adopted all applicable new and revised HKFRSs, including HKFRS 16, which is effective for the accounting period beginning on 1 January 2019, consistently throughout the track record periods presented in the Group's historical financial information, including the financial statements for the year ended 31 December 2018.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(b) Basis of preparation of the unaudited condensed consolidated results

The unaudited condensed consolidated results for the three months ended 31 March 2020 comprise the Company and its subsidiaries.

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"). Except for share and per share information, the financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousands, which is the presentation currency.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the three months ended 31 March 2020

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the unaudited condensed consolidated results *(Continued)*

The measurement basis used in the preparation of the unaudited condensed consolidated results is the historical cost basis.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, 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 judgements 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 recognised 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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

3. REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group derives all its revenue from the 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.

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products lines is as follows:

	For the three months ended 31 March	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products lines		
– Sales of energy-efficient safety glass products	20,732	40,752
– Sales of smart glass products	2,494	3,219
	<u>23,226</u>	<u>43,971</u>

All revenue was recognised at a point in time under HKFRS 15.

The Group's customer base is diversified. There is no individual customer with whom transactions have exceeded 10% of the Group's revenues for the three months ended 31 March 2020 and 31 March 2019.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the three months ended 31 March 2020

3. REVENUE AND SEGMENT REPORTING (Continued)

(a) Revenue (Continued)

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

The Group has applied the practical expedient in paragraph 121 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 glass products that had an original expected duration of one year or less.

(b) Segment reporting

HKFRS 8, Operating Segments, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the Group's most senior executive management for the purpose of resources allocation and performance assessment. On this basis, the Group has determined that it only has one operating segment which is the sale of glass products.

4. OTHER NET INCOME

	For the three months ended 31 March	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Government grants	240	254
Others	38	(12)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the three months ended 31 March 2020

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	For the three months ended 31 March	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on bank loans and other borrowings	828	550
	<u>828</u>	<u>550</u>

(b) Staff costs

	For the three months ended 31 March	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Contributions to defined contribution retirement plan (i)	53	73
Salaries, wages and other benefits	1,224	1,173
	<u>1,277</u>	<u>1,246</u>

- (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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the three months ended 31 March 2020

5. PROFIT BEFORE TAXATION (Continued)

(b) Staff costs (Continued)

The Group has no other material obligation for the payment of retirement benefits associated with the scheme beyond the annual contributions described above.

(c) Other items

	For the three months ended 31 March	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Depreciation of property, plant and equipment	612	721
Depreciation of right-of-use assets	37	13
Provision/(reversal) of impairment losses on trade and other receivables	3,613	2,249
Research and development costs (i)	2,166	2,235
Cost of inventories (ii)	16,667	30,869

- (i) Research and development costs included staff costs of RMB141 thousand, RMB140 thousand, and depreciation of RMB496 thousand, RMB496 thousand, for the three months ended 31 March 2020 and 2019, which are also included in the respective total amounts disclosed separately above or in note 5(b).
- (ii) Cost of inventories included staff costs of RMB893 thousand, and RMB941 thousand, and depreciation of RMB1,294 thousand and RMB1,147 thousand, for the three months ended 31 March 2020 and 2019 respectively, which are also included in the respective total amounts disclosed separately above or in note 5(b).

6. INCOME TAX IN THE CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Taxation in the condensed consolidated statement of profit or loss represents:

	For the three months ended 31 March	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000

Current tax

Provision for PRC income tax for the period	373	1,264
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Deferred tax

Origination and reversal of temporary differences	—	—
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- (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 reporting period.
- (iii) The PRC subsidiary, Jieyang Hongguang Coated Glass Co., Ltd. ("Hongguang Glass") is subject to the PRC statutory income tax rate of 25%. Hongguang Glass was accredited as a "High and New Technology Enterprise" in October 2014 and renewed its certificate in November 2017 for another three years from 2017 to 2020 during which it is entitled to a preferential income tax rate of 15% pursuant to the current applicable CIT Law and its regulations.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the three months ended 31 March 2020

7. EARNINGS PER SHARE

(a) Basic and diluted earnings per share

The calculation of basic and diluted earnings per share is based on the profit attributable to equity shareholder of the Company of RMB1,441,000 (2019: RMB7,156,000), and 225,000,000 ordinary shares in issue during three months ended 31 March 2020 (2019: the weighted average of 225,000,000 ordinary shares), after adjusting the capitalisation issue occurred after the end of the reporting period, calculated as follows:

(i) Weighted average number of ordinary shares

	For the three months ended 31 March	
	2020	2019
Issued ordinary shares at 1 January	100	100
Effect of capitalisation issue (note (i) below)	224,999,900	224,999,900
Issued ordinary shares at 31 March	<u>225,000,000</u>	<u>225,000,000</u>

Note:

- (i) The number of ordinary shares outstanding before the capitalisation issue completed on 13 January 2020 was adjusted for the proportionate increase in the number of ordinary shares outstanding without a corresponding change in resources, as if the capitalisation issue had occurred at the beginning of the earliest period presented.

There were no dilutive potential ordinary shares and, therefore, diluted earnings per share are same as the basic earnings per share.



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the three months ended 31 March 2020

8. DIVIDEND

The Directors did not recommend the payment of any dividend for the three months ended 31 March 2020 (2019: Nil).

9. APPROVAL OF FINANCIAL INFORMATION

These financial information was approved and authorised for issue by the Board on 13 May 2020.



MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

The Group primarily engages in the manufacture and sale of architectural glass products, including energy-efficient safety glass products and smart glass product in Southern China, under our own brand “Hongguang”. Our energy-efficient safety glass products include coated glass, insulating glass, laminated glass and tempered glass; and our smart glass product is mainly dimming glass. With a diversified product portfolio, we are able to cater to a variety of customer requirements and specifications, which helps us to increase our profitability and adjust to market situations and industry trends. Meanwhile, our strong research and development capabilities, in particular, our proprietary technologies and technological know-how will allow us to continue to offer high-quality products and be updated with the market developments.

BUSINESS REVIEW

The Board is pleased to present the first quarterly results of the Group for the three months ended 31 March 2020, together with the comparative figures for the corresponding period ended 31 March 2019.

FINANCIAL REVIEW

Revenue

Our revenue is generated from the sales of the following product categories: (1) energy-efficient safety glass products; and (2) smart glass product.

MANAGEMENT DISCUSSION AND ANALYSIS

The table below sets forth the breakdown of the Group's revenue by product category:

	For the three months ended 31 March 2020 (Unaudited)		2019 (Unaudited)	
	RMB'000	%	RMB'000	%
– Sales of energy-efficient safety glass products	20,732	89.3%	40,752	92.7%
– Sales of smart glass products	2,494	10.7%	3,219	7.3%
	<u>23,226</u>	<u>100.0%</u>	<u>43,971</u>	<u>100.0%</u>

For the three months ended 31 March 2020, revenue arising from energy-efficient safety glass products amounted to RMB20,732 thousand (2019: RMB40,752 thousand), representing 89.3% (2019: 92.7%) of our total revenue. The decrease was mainly due to the impact of the novel coronavirus disease (COVID-19) epidemic since January 2020 that caused postponement in resuming the Group's production and operation after the lunar new year holiday in the PRC, as well as postponement of project schedule and order execution of customers of the Group.

For the three months ended 31 March 2020, revenue arising from smart glass product amounted to RMB2,494 thousand (2019: RMB3,219 thousand).

The Group's total revenue decreased 47% from RMB43,971 thousand the three months ended 31 March 2019 to RMB23,226 thousand for the three months ended 31 March 2020. The decrease was mainly due to the revenue decrease from the production and sales of energy-efficient safety glass products.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit and gross profit margin

Our gross profit decreased from RMB13,101 thousand three months ended 31 March 2019 to RMB6,559 thousand for the three months ended 31 March 2020. The decrease was mainly due to the decrease in total revenue for the period. Our gross profit margin was mainly maintained at a steady level with a slight fall (for the three months ended 31 March 2020: 28.2%; for the three months ended 31 March 2019: 29.8%). The table below sets forth the breakdown of our gross profit and gross profit margin by product category for the periods indicated:

	For the three months ended 31 March			
	2020		2019	
	(Unaudited)		(Unaudited)	
	RMB'000	%	RMB'000	%
Energy-efficient safety glass products	5,775	27.9%	12,064	29.6%
Smart glass products	784	31.4%	1,038	32.2%
Total gross profit/gross profit margin	<u>6,559</u>	<u>28.2%</u>	<u>13,101</u>	<u>29.8%</u>

The gross profit margin of energy-efficient safety glass products slightly decreased from 29.6% to 27.9%; the gross profit margin of smart glass product slightly decreased from 32.2% to 31.4%.

Other net income

The Group's other net income slightly increased from RMB253 thousand for the three months ended 31 March 2019 to RMB272 thousand for the three months ended 31 March 2020.

Cost of sales

The Group's cost of sales decreased from RMB30,908 thousand for the three months ended 31 March 2019 to RMB16,734 thousand for the three months ended 31 March 2020, which was mainly due to the decrease in sales revenue.

Sales and marketing expense

The Group's sales and marketing expense decreased from RMB366 thousand for the three months ended 31 March 2019 to RMB84 thousand for the three months ended 31 March 2020, which was mainly due to postponement of resuming activities which led to decreased marketing efforts caused by the COVID-19 epidemic.

General and administrative expense

The Group's general and administrative expense slightly changed from RMB4,009 thousand for the three months ended 31 March 2019 to RMB4,181 thousand for the three months ended 31 March 2020, maintaining at a steady level.

Among which, our research and development costs slightly changed from RMB2,235 thousand for the three months ended 31 March 2019 to RMB2,166 thousand for the three months ended 31 March 2020, maintaining at a steady level.

Finance costs

The Group's finance costs increased from RMB550 thousand for the three months ended 31 March 2019 to RMB828 thousand for the three months ended 31 March 2020 due to the increasing amount of bank loan.

Staff costs

The Group's staff costs maintained at a similar level as last year, with a slight change from RMB1,277 thousand for the three months ended 31 March 2019 to RMB1,246 thousand for the three months ended 31 March 2020.

Income tax expenses

The Group's income tax expenses decreased from RMB1,264 thousand for the three months ended 31 March 2019 to RMB373 thousand for the three months ended 31 March 2020, which was mainly due to Jieyang Hongguang Coated Glass Co., Ltd.* (揭陽市宏光鍍膜玻璃有限公司), our indirect wholly-owned subsidiary, recording a worse operating result than last year, and having a lower income tax than last year.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the period

Due to the above factors, the profit after tax for the period of the Group was RMB1,370 thousand for the three months ended 31 March 2020, representing a decrease of approximately 80.9% from the profit after tax of RMB7,155 for the corresponding period in 2019, which was mainly because the revenue largely fell in 2020 and the relevant intermediary expenses remained no change.

Human resources and remuneration policies

As at 31 March 2020, the Group employed a total of 74 full-time employees. For the three months 31 March 2020, the Group's staff costs, including contributions to the defined contribution retirement scheme, salaries, wages and other benefits, amounted to approximately RMB1,246 thousand.

Material investments

For the three months ended 31 March 2020, the Group did not acquire or hold any significant investment (2019: nil).

Material acquisitions/disposals

For the three months ended 31 March 2020, the Group did not have any material acquisition/disposal of subsidiaries and associated companies (2019: nil).

Foreign exchange risk

The principal activities of the Group are conducted in China, and the transactions of the Group is primarily denominated in RMB. The Group does not have any foreign currency hedging policies. However, the management monitors our foreign exchange risk and will consider hedging significant foreign currency exposure should the need arise. As at 31 March 2020 and 31 March 2019, the Group does not have any outstanding instruments for hedging purposes.

Principal risks and uncertainties faced by the Company

Principal risks and uncertainties faced by the Company in achieving its business objectives, and the solutions adopted by the Group are as follows:

Impact of local and international regulations

The business operation of the Group is subject to government policies and relevant regulations and guidelines imposed by regulatory authorities. Failure to comply with the rules and requirements may lead to penalties, amendments or suspension of the Group's business operation by the authorities. The Group closely monitors changes in government policies, regulations and the market, and conducts research to assess the impact brought by these changes.

Impact of the novel coronavirus (COVID-19) epidemic

This spring, under the impact of the novel coronavirus disease (COVID-19) epidemic, industries in Mainland China postponed the resumption of work after the Chinese New Year holiday, and operations were only resumed in early March 2020. The impact of the COVID-19 epidemic has, to a certain extent, affected the development of Mainland China's real estate market in the first quarter of 2020 as well as the second quarter of 2020, thus also triggering the slowdown of the development of the architectural glass industry. The Group closely monitors the development of COVID-19, and will continuously assess the impact on the financial position and operation results of the Group.

Comparison of business objectives with actual business progress

Since the shares of the Company listed on GEM of the Stock Exchange on 13 January 2020 and up to the date of this report, we are starting to implement our business objectives as set out in the section headed "Statement of Business Objectives and Use of Proceeds" of the prospectus of the Company dated 31 December 2019.

Save as disclosed in this report, there are no significant events subsequent to 31 March 2020 which would materially affect the Group's operating and financial performance as of the date of the financial statements.

OUTLOOK AND PROSPECTS

The Group was listed on GEM of the Stock Exchange on 13 January 2020 (the "Listing Date") and the fund raised from the listing laid a solid foundation for the future development of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

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 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 the China Architectural and Industrial Glass Association* (中國建築玻璃與工業玻璃協會). According to HCR Co., Ltd. (北京慧辰資道資訊股份有限公司) (“HCR”), an independent market research firm commissioned by us in preparation for the listing, coated glass production volume in China is expected to increase at a CAGR of about 7.8% from 293 million m² in 2018 to 427 million m² in 2023. Coated glass, our primary energy-efficient safety glass product, is a type of energy-saving glass which is commonly used in the construction industry. We believe our specialisation in coated glass well positions us to capture the opportunities arising from the continual growth of the demand of coated glass in China.

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 m² in 2018 to 675,000 m² in 2023 and there will also be an upward trend of a similar scale in dimming glass sales volume. We further leveraged our cumulative experience and technological know-how in the production of smart glass product. We believe that our business will benefit from increasing market demand for smart glass products in China.

This spring, under the impact of the novel coronavirus disease (COVID-19) epidemic, industries in Mainland China postponed the resumption of work after the Chinese New Year holiday, and operations were only resumed in early March 2020. The impact of the COVID-19 epidemic has, to a certain extent, affected the development of Mainland China’s real estate market in the first quarter of 2020 as well as the second quarter of 2020, thus also triggering the slowdown of the development of the architectural glass industry.

At present, under the orderly guidance of the Mainland Chinese government, the economic situation of Mainland China is seeing improvement and recovery. The Group will endeavor to seek acquisition or investment opportunities to enhance the value of China Hongguang, in order to resist the impact caused by the COVID-19 epidemic, and to enhance the Group’s position and its value, and continue to create new growth drivers for the Group.

Dividend

The Directors did not recommend the payment of any dividend for the three months ended 31 March 2020 (2019: Nil).

* For identification purpose only

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 March 2020, the interests or short positions of the Directors and chief executives in the shares (the "Shares"), underlying Shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO) or which were required to be recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as follows:

Name	Nature of interest	Total number of Shares held (L) ⁽¹⁾	Percentage of shareholding
Mr. WEI Jiakun ("Mr. Wei")	Settlor of a discretionary trust; Interest of spouse	150,750,000 (L) ⁽²⁾	50.25%
Ms. LIN Weishan ("Ms. Lin")	Settlor of 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 the Shares.
2. These Shares are held by Ming Liang Global Limited, the entire issued share capital of which is held by Wei Family Limited, which is in turn entirely held by IQ EQ (BVI) Limited, acting as the trustee of The Wei Family Trust. The Wei Family Trust is a discretionary trust established by Mr. Wei, Ms. Lin (the spouse of Mr. Wei) and Ms. LIU Rong ("Ms. Liu", the mother of Mr. Wei) as the settlors and the beneficiaries of The Wei 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) Limited and Wei Family Limited is deemed to be interested in the Shares held by Ming Liang Global Limited by virtue of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section headed "Directors' and Chief Executives' interests and short positions in Shares, underlying Shares and debentures of the Company or any associated corporation" above, at no time during the three months ended 31 March 2020 was the Company, or any of its subsidiaries or associated corporations, a party to any arrangement to enable the Directors and chief executive of the Company (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of the Shares or underlying Shares in, or debentures of, the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2020, so far as it is known to the Directors, the following persons (other than Directors or chief executives of the Company) immediately after the Listing, would have interest or short position in Shares or 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 which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

Name	Capacity/nature of interest	Total number of Shares held (L) ⁽¹⁾	Percentage of shareholding
Ming Liang Global Limited	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) Limited	Trustee of a trust	150,750,000 (L) ⁽²⁾	50.25%
WEI Jiakun ("Mr. Wei")	Settlor of a discretionary trust; Interest of spouse	150,750,000 (L) ⁽²⁾	50.25%
LIN Weishan ("Ms. Lin")	Settlor of a discretionary trust; Interest of spouse	150,750,000 (L) ⁽²⁾	50.25%

Name	Capacity/nature of interest	Total number of Shares held (L) ⁽¹⁾	Percentage of shareholding
LIU Rong ("Ms. Liu")	Settlor of a discretionary trust	150,750,000 (L) ⁽²⁾	50.25%
Orient Success Ventures Limited	Beneficial owner	49,500,000 (L) ⁽³⁾	16.50%
WANG Yaqing	Interest in a controlled corporation	49,500,000 (L) ⁽³⁾	16.50%
Power Solution International Holdings Limited	Beneficial owner	24,750,000 (L) ⁽⁴⁾	8.25%
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 Limited, the entire issued share capital of which is held by Wei Family Limited, which is in turn entirely held by IQ EQ (BVI) Limited, acting as the trustee of The Wei Family Trust. The Wei 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 The Wei 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) Limited and Wei Family Limited is deemed to be interested in the Shares held by Ming Liang Global Limited by virtue of the SFO.
3. These Shares are held by Orient Success Ventures Limited, 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 International Holdings Limited, 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.



OTHER INFORMATION

RELATED PARTY TRANSACTIONS

During the three months ended 31 March 2020, the Group has not entered into any related party transactions.

DIRECTORS' INTEREST IN COMPETING BUSINESS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholders of the Company nor any of their respective close associates that competes or may compete, directly or indirectly, with the businesses of the Group and any other conflicts of interest which any such person has or may have with the Group during the three months ended 31 March 2020.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 March 2020 and up to the date of this report.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the three months ended 31 March 2020.

SHARE OPTION SCHEME

The Company did not have share option scheme as at 31 March 2020.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct for securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Model Code"). The Company had made specific enquiries with written guidelines in relation to the Model Code to all Directors and all Directors have confirmed that they complied with the required standards set out in the Model Code during the three months ended 31 March 2020.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to promoting high standards of corporate governance through its continuous effort in improving its corporate governance practices and process. The Board believes that sound and reasonable corporate governance practices are essential for sustainable growth of the Group and for safeguarding the interests and the assets of the Group.

The shares of the Company were listed on GEM of the Stock Exchange on 13 January 2020. The Company has adopted the Corporate Governance Code (the "CG Code") contained in Appendix 15 to the GEM Listing Rules as its own code of corporate governance. The Directors consider that throughout the three months ended 31 March 2020, the Company has applied the principles and complied with all applicable code provisions set out in the CG Code.

AUDIT COMMITTEE

The Group's unaudited condensed consolidated financial statements for the three months ended 31 March 2020 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2020 have been prepared in compliance with the applicable accounting standards and the GEM Listing Rules and that adequate disclosures have been made.



OTHER INFORMATION

DIVIDEND

The Board did not recommend the payment of any dividend for the three months ended 31 March 2020.

MATERIAL ACQUISITION AND DISPOSAL

The Group did not have any material acquisition or disposal of subsidiaries, associates and joint ventures during the three months ended 31 March 2020.

INTERESTS OF COMPLIANCE ADVISER

As notified by the Company's compliance adviser, Dongxing Securities (Hong Kong) Company Limited, neither Dongxing Securities (Hong Kong) Limited nor any of its directors or employees or close associates had any interests in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) or otherwise in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules except for the compliance adviser service provided by Dongxing Securities (Hong Kong) Limited as at the date of this report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report the Company has maintained the prescribed public float required by the GEM Listing Rules.

By Order of the Board

LIN Weishan

Chairwoman and Executive Director

Hong Kong, 13 May 2020

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