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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 THIRD 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 nine months ended 30 September 2020. This announcement, containing the full text of the 2020 third quarterly report of the Group, complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM (the “**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) in relation to information to accompany preliminary announcement of the third quarterly results.

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

Hong Kong, 10 November 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 of the Company (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 GEM website at www.hkgem.com 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



THIRD QUARTERLY REPORT

第三季度報告

2020

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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.



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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

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Services Limited
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Middle Section of Meiyang Road
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Jieyang, Guangdong
the PRC

Bank of China Limited

Jieyang Branch
Linjiang North Road North
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DBS Bank (Hong Kong) Limited

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Central, Hong Kong

STOCK CODE

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LEGAL ADVISER

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(Solicitors of Hong Kong)

THIRD 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 nine months ended 30 September 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 nine months ended 30 September 2020

		For the nine months ended	
		30 September	2019
		2020	
		(Unaudited)	(Unaudited)
	Notes	RMB'000	RMB'000
Revenue	3	99,876	156,075
Cost of sales		72,111	109,120
Gross profit		27,765	46,954
Other net income	4	871	2,855
Sales and marketing expenses		209	192
General and administrative expenses		10,572	17,239
Profit from operations		17,854	32,378
Finance costs	5(a)	1,790	865
Profit before taxation		16,064	31,513
Income tax	6	2,610	5,096
Profit for the period		13,455	26,417
Earnings per share	7		
Basic and diluted (RMB Yuan)		0.05	0.12

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 30 September 2020

	For the nine months ended	
	30 September	2019
	2020	2019
	(Unaudited)	(Unaudited)
Notes	RMB'000	RMB'000
Profit for the period	<u>13,455</u>	<u>26,417</u>
Other comprehensive income for the period	<u>—</u>	<u>—</u>
Total comprehensive income for the period	<u><u>13,455</u></u>	<u><u>26,417</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2020

	Attributable to equity shareholders of the Company						
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	PRC 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)	–*	11,464	(202)	2,190	–	70,815	84,267
Changes in equity for the nine months ended 30 September 2019							
Total comprehensive income for the period	–	–	–	–	–	26,417	26,417
Balance at 30 September 2019 (Unaudited)	–*	11,464	(202)	2,190	–	97,232	110,684
Balance at 31 December 2019 and 1 January 2020 (Audited)	–*	11,464	(202)	2,190	182	97,472	111,106
Changes in equity for the nine months ended 30 September 2020							
Total comprehensive income for the period	–	–	–	–	484	13,455	13,939
Capitalisation issue	2,024	(2,024)	–	–	–	–	–
Issuance of shares upon initial public offering, net of issuance costs	669	40,452	–	–	–	–	41,121
Balance at 30 September 2020 (Unaudited)	2,693	49,892	(202)	2,190	666	110,927	166,166

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

THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the nine months ended 30 September 2020

NOTES TO

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 nine months ended 30 September 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 Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The quarterly financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

The unaudited condensed consolidated results for the nine months ended 30 September 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.

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.

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 nine months ended	
	30 September	
	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	92,845	141,233
– Sales of smart glass products	7,031	14,842
	<u>99,876</u>	<u>156,075</u>

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

The Group's customer base is diversified. There is only 1 individual customer with whom transactions have exceeded 10% of the Group's revenues for the nine months ended 30 September 2020 and 30 September 2019.

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 nine months ended	
	30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Government grants	1,073	2,093
Others	(202)	762
	<u>871</u>	<u>2,855</u>

5. PROFIT BEFORE TAXATION

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

(a) Finance costs

	For the nine months ended 30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on bank loans and other borrowings	1,119	1,497
	<u>1,119</u>	<u>1,497</u>

(b) Staff costs

	For the nine months ended 30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Contributions to defined contribution retirement plan (i)	53	364
Salaries, wages and other benefits	3,529	3,116
	<u>3,582</u>	<u>3,480</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.

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 nine months ended	
	30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Depreciation of property, plant and equipment	1,841	2,199
Depreciation of right-of-use assets	110	98
Provision/(reversal) of impairment losses on trade and other receivables	3,613	2,249
Research and development costs (i)	6,140	6,369
Cost of inventories (ii)	72,111	109,120

- (i) Research and development costs included staff costs of RMB423 thousand, RMB422 thousand, and depreciation of RMB1,488 thousand, RMB1,488 thousand, for the nine months ended 30 September 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 RMB2,584 thousand, and RMB2,908 thousand, and depreciation of RMB3,883 thousand and RMB3,588 thousand, for the nine months ended 30 September 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 nine months ended	
	30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current tax		
Provision for PRC income tax for the period	<u>2,610</u>	<u>5,096</u>
Deferred tax		
Origination and reversal of temporary differences	<u>—</u>	<u>—</u>
	<u>2,610</u>	<u>5,096</u>

- 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 nine months ended 30 September 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 RMB13.455 million (2019: RMB26.417 million), and 294,583,333 ordinary shares in issue during nine months ended 30 September 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 nine months ended 30 September	
	2020	2019
Issued ordinary shares at 1 January	225,000,000	100
Effect of capitalisation issue (note (i) below)	—	224,999,900
Effect of shares issued by initial public offering on 13 January 2020	<u>69,583,333</u>	<u>—</u>
Issued ordinary shares at 30 September	<u><u>294,583,333</u></u>	<u><u>225,000,000</u></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.

8. DIVIDEND

The Directors did not recommend the payment of any dividend for the nine months ended 30 September 2020 (2019: Nil).

9. APPROVAL OF FINANCIAL INFORMATION

This financial information was approved and authorised for issue by the Board on 10 November 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 hereby presents the third quarterly results of the Group for the nine months ended 30 September 2020, together with the comparative figures for the corresponding period ended 30 September 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.

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

	For the nine months ended			
	30 September			
	2020 (Unaudited) RMB’000	%	2019 (Unaudited) RMB’000	%
– Sales of energy-efficient safety glass products	92,845	93	141,233	90
– Sales of smart glass products	7,031	7	14,842	10
	<u>99,876</u>	<u>100</u>	<u>156,075</u>	<u>100</u>

For the nine months ended 30 September 2020, revenue arising from energy-efficient safety glass products amounted to RMB92,845 thousand (2019: RMB141,233 thousand), representing 93% (2019: 90%) of our total revenue; revenue arising from smart glass product amounted to RMB7,031 thousand (2019: RMB14,842 thousand). 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.

The Group's total revenue decreased 36% from RMB156,075 thousand for the nine months ended 30 September 2019 to RMB99,876 thousand for the nine months ended 30 September 2020. The decrease was mainly due to the revenue decrease from the production and sales of energy-efficient safety glass products.

Gross profit and gross profit margin

Our gross profit decreased from RMB46,954 thousand for the nine months ended 30 September 2019 to RMB27,765 thousand for the nine months ended 30 September 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 nine months ended 30 September 2020: 27.8%; for the nine months ended 30 September 2019: 30.1%). The table below sets forth the breakdown of our gross profit and gross profit margin by product category for the periods indicated:

	For the nine months ended			
	30 September			
	2020 (Unaudited) RMB'000	%	2019 (Unaudited) RMB'000	%
– Sales of energy-efficient safety glass products	14,224	27.5	25,938	28.7
– Sales of smart glass products	1,168	30.6	2,713	30.9
Total gross profit/gross profit margin	15,392	27.7	28,652	28.9



MANAGEMENT DISCUSSION AND ANALYSIS

The gross profit margin of energy-efficient safety glass products slightly decreased from 28.7% to 27.5%; the gross profit margin of smart glass product slightly decreased from 30.9% to 30.6%.

Other net income

The Group's other net income decreased from RMB2,855 thousand for the nine months ended 30 September 2019 to RMB871 thousand for the nine months ended 30 September 2020.

Cost of sales

The Group's cost of sales decreased from RMB109,120 thousand for the nine months ended 30 September 2019 to RMB72,111 thousand for the nine months ended 30 September 2020, which was mainly due to the decrease in sales revenue.

Sales and marketing expense

The Group's sales and marketing expense slightly changed from RMB192 thousand for the nine months ended 30 September 2019 to RMB209 thousand for the nine months ended 30 September 2020, maintaining at a steady level.

General and administrative expense

The Group's general and administrative expense decreased from RMB17,239 thousand for the nine months ended 30 September 2019 to RMB10,572 thousand for the nine months ended 30 September 2020.

Among which, our research and development costs slightly changed from RMB6,369 thousand for the nine months ended 30 September 2019 to RMB6,140 thousand for the nine months ended 30 September 2020, maintaining at a steady level.

Finance costs

The Group's finance costs increased from RMB865 thousand for the nine months ended 30 September 2019 to RMB1,790 thousand for the nine months ended 30 September 2020.

Staff costs

The Group's staff costs increased from RMB3,480 thousand for the nine months ended 30 September 2019 to RMB3,582 thousand for the nine months ended 30 September 2020.

Income tax expenses

The Group's income tax expenses decreased from RMB5,096 thousand for the nine months ended 30 September 2019 to RMB2,610 thousand for the nine months ended 30 September 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 thus having a lower income tax than last year.

Profit for the period

Due to the above factors, the net profit for the period of the Group was RMB16,064 thousand for the nine months ended 30 September 2020, while there was a net profit of RMB31,513 for the corresponding period in 2019. The decrease in net profit for the period was mainly because the Group's revenue largely fell in 2020 and the relevant intermediary expenses remained unchanged.

Human resources and remuneration policies

As at 30 September 2020, the Group employed a total of 74 full-time employees. For the nine months ended 30 September 2020, the Group's staff costs, including contributions to the defined contribution retirement scheme, salaries, wages and other benefits, amounted to approximately RMB3,582 thousand.

Material investments

For the nine months ended 30 September 2020, the Group did not acquire or hold any significant investment (2019: nil).

Material acquisitions/disposals

For the nine months ended 30 September 2020, the Group did not have any material acquisition/disposal of subsidiaries and associated companies (2019: nil).

* For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

Foreign exchange risk

The principal activities of the Group are conducted in China, and the transactions of the Group are 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 30 September 2020 and 30 September 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 three quarters 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 were 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 30 September 2020 which would materially affect the Group’s operating and financial performance as of the date of the financial statements.

Future plans for material investments or capital assets

For the nine months ended 30 September 2020, the Group has not developed any future plan of material investments or capital assets.

Disclosures under rules 17.22 to 17.24 of the GEM Listing Rules

As at 30 September 2020, there is no circumstance which would give rise to a disclosure obligation on the part of the Group under Rules 17.22 to 17.24 of the GEM Listing Rules.

Dividend

The Directors did not recommend the payment of any dividend for the nine months ended 30 September 2020 (2019: Nil).

OUTLOOK AND PROSPECTS

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

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 the 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 three quarters 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.

* For identification purpose only

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct for securities transactions of the Company 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 nine months ended 30 September 2020.

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

As at 30 September 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 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 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 nine months ended 30 September 2020 was the Company, or any of its subsidiaries or associated corporations, a party to any arrangement to enable the Directors and chief executives 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 30 September 2020, so far as is known to the Directors, the following persons (other than Directors or chief executives of the Company) had or deemed or taken to 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%
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%

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 nine months ended 30 September 2020, the Group did not enter into any related party transaction under the definition of connected transaction or continuing connected transaction under Chapter 20 of the GEM Listing Rules.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' 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 nine months ended 30 September 2020.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant event requiring disclosure that has taken place subsequent to 30 September 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 nine months ended 30 September 2020.

SHARE OPTION SCHEME

The Company did not have share option scheme as at 30 September 2020.

CONTINGENT LIABILITIES

As at 30 September 2020, the Group did not have any significant contingent liabilities.

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 nine months ended 30 September 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 nine months ended 30 September 2020 have been reviewed by the audit committee of the Company (the “Audit Committee”). The Audit Committee is of the opinion that the unaudited condensed consolidated financial statements of the Group for the nine months ended 30 September 2020 have been prepared in compliance with the applicable accounting standards and the GEM Listing Rules and that adequate disclosures have been made.

DIVIDEND

The Board did not recommend the payment of interim dividend for the nine months ended 30 September 2020.



OTHER INFORMATION

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.

By Order of the Board

LIN Weishan

Chairwoman and Executive Director

Hong Kong, 10 November 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.