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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)

2022 INTERIM 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 six months ended 30 June 2022. This announcement, containing the full text of the 2022 interim report of the Group, complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM (the “**GEM Listing Rules**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in relation to information to accompany preliminary announcement of interim results.

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

Hong Kong, 12 August 2022

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



2022

INTERIM REPORT

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 website of the Stock Exchange at www.hkexnews.hk 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

Ms. Kwong Oi Man Patty *HKICPA, CPAA*

Mr. WENG Weilin

AUTHORIZED REPRESENTATIVES

Mr. WEI Jiakun

Mr. WENG Weilin

COMPLIANCE OFFICER

Mr. WEI Jiakun

AUDITOR

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COMPLIANCE ADVISER

Dongxing Securities (Hong Kong)

Company Limited

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AND TRANSFER OFFICE**

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**HONG KONG BRANCH SHARE
REGISTRAR AND TRANSFER
OFFICE**

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Services Limited
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183 Queen's Road East
Wan Chai, Hong Kong

PRINCIPAL BANKERS

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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
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11th Floor, The Center
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STOCK CODE

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COMPANY WEBSITE ADDRESS

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INTERIM 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 six months ended 30 June 2022, together with the unaudited comparative figures for the corresponding period in 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2022

	Notes	Three months ended 30 June		Six months ended 30 June	
		2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Revenue	3	33,217	29,573	70,687	63,068
Cost of sales		(23,457)	(21,536)	(49,206)	(46,337)
Gross profit		9,760	8,037	21,481	16,731
Other net income	4	879	826	837	1,121
Sales and marketing expenses		(118)	(19)	(141)	(36)
General and administrative expenses		(7,661)	(3,011)	(11,294)	(5,556)
Profit from operations		2,860	5,833	10,883	12,260
Finance costs	5(a)	(1,140)	(2,029)	(2,007)	(2,810)
Profit before taxation	5	1,720	3,804	8,876	9,450
Income tax expense	6	(817)	(570)	(1,888)	(1,419)
Profit for the period		903	3,234	6,988	8,031
Earnings per share	7				
Basic (RMB cent)		0.30	1.09	2.33	0.03

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2022

	Three months ended 30 June		Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Profit for the period	903	3,234	6,988	8,031
Other comprehensive (loss)/income for the period (after tax)				
Item that will not be reclassified to profit or loss:				
Exchange difference on translation of financial statements of the Company	(247)	(307)	(247)	(307)
Item that may be reclassified subsequently to profit or loss:				
Exchange difference on translation of financial statements of subsidiaries outside mainland China	75	1,135	75	1,135
Other comprehensive (loss)/income for the period	(172)	828	(172)	828
Total comprehensive income for the period	731	4,062	6,816	8,859

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

		At 30 June 2022 RMB'000 (unaudited)	At 31 December 2021 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	8	46,512	51,054
Right-of-use assets		1,474	1,501
Deferred tax assets		2,610	2,605
Other receivables		250	1,400
		<u>50,846</u>	<u>56,560</u>
Current assets			
Inventories	9	133,209	116,324
Trade and other receivables	10	132,384	138,146
Cash and cash equivalents		10,218	12,930
		<u>275,811</u>	<u>267,400</u>
Current liabilities			
Trade and other payables	11	27,549	56,274
Bank loans	12	56,200	39,000
Other borrowings	13	12,926	8,788
Income tax payable		10,394	8,619
		<u>107,069</u>	<u>112,681</u>
Net current assets		<u>168,742</u>	<u>154,719</u>
Total assets less current liabilities		<u>219,588</u>	<u>211,279</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

		At 30 June 2022	At 31 December 2021
Notes	RMB'000	(unaudited)	RMB'000 (audited)
Non-current liabilities			
Bank loans	12	3,000	3,500
Other borrowings	13	4,379	1,906
Deferred revenue		4,816	5,296
		12,195	10,702
Net assets		207,393	200,577
Equity			
Share capital	14	2,693	2,693
Reserves		204,700	197,884
Total equity		207,393	200,577

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the Company						Total equity
	Share capital	Share premium	Capital reserve	PRC Statutory reserve	Exchange reserve	Retained earnings	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 31 December 2020 and 1 January 2021 (audited)	2,693	49,892	(202)	4,377	(621)	105,581	161,720
Changes in equity for the six months ended 30 June 2021							
Profit for the period	-	-	-	-	-	8,031	8,031
Other comprehensive income	-	-	-	-	828	-	828
Total comprehensive income for the period	-	-	-	-	828	8,031	8,859
Balance at 30 June 2021 (unaudited)	<u>2,693</u>	<u>49,892</u>	<u>(202)</u>	<u>4,377</u>	<u>207</u>	<u>113,612</u>	<u>170,579</u>
Balance at 31 December 2021 and 1 January 2022 (audited)	2,693	49,892	(202)	8,414	(764)	140,544	200,577
Changes in equity for the six months ended 30 June 2022							
Profit for the period	-	-	-	-	-	6,988	6,988
Other comprehensive loss	-	-	-	-	(172)	-	(172)
Total comprehensive (loss)/income for the period	-	-	-	-	(172)	6,988	6,816
Balance at 30 June 2022 (unaudited)	<u>2,693</u>	<u>49,892</u>	<u>(202)</u>	<u>8,414</u>	<u>(936)</u>	<u>147,532</u>	<u>207,393</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited) (restated)
Net cash (used in)/generated from operating activities	(23,727)	11,678
Net cash (used in)/generated from investing activities	(289)	1
Net cash generated from/(used in) financing activities	21,304	(8,810)
Net (decrease)/increase in cash and cash equivalents	(2,712)	2,869
Cash and cash equivalents at beginning of the period	12,930	2,003
Cash and cash equivalents at end of the period	10,218	4,872

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the six months ended 30 June 2022

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. The Company’s shares are listed on the GEM (“GEM”) of The Stock Exchange of Hong Kong Limited from 13 January 2020. The Group, comprising the Company and its subsidiaries, are principally engaged in the manufacture and sales of architectural glass products in the People’s Republic of China (“PRC”).

The address of the registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company is Room 1202, 1204–06, 12th Floor, The Chinese Bank Building, 61 Des Voeux Road Central, Central, Hong Kong.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The unaudited condensed consolidated results for the six months ended 30 June 2022 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) and the disclosure 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 interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the six months ended 30 June 2022

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

The unaudited condensed consolidated results for the six months ended 30 June 2022 comprise the Company and its subsidiaries.

Items included in the unaudited condensed consolidated 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 unaudited condensed consolidated 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 unaudited condensed consolidated 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the six months ended 30 June 2022

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 30 June		For the six months ended 30 June	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue from contracts with customers within the scope of HKFRS 15 Disaggregated by major products lines				
– Sales of energy-efficient safety glass products	31,322	23,793	68,792	54,171
– Sales of smart glass products	1,895	5,780	1,895	8,897
	33,217	29,573	70,687	63,068

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

The Group's customer base is diversified. There are two and one individual customer with whom transactions have exceeded 10% of the Group's revenues for the six months ended 30 June 2022 and 30 June 2021 respectively.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the six months ended 30 June 2022

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		For the six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Government grants	440	1,020	680	1,285
Rentals from operating leases	157	157	157	157
Interest income	–	1	–	1
Others	282	(352)	–	(322)
	<u>879</u>	<u>826</u>	<u>837</u>	<u>1,121</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the six months ended 30 June 2022

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	For the three months ended		For the six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest on bank loans	718	1,940	1,155	2,721
Interest on other borrowings	422	89	852	89
	<u>1,140</u>	<u>2,029</u>	<u>2,007</u>	<u>2,810</u>

(b) Staff costs

	For the three months ended		For the six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Contributions to defined contribution retirement plan (i)	270	148	411	301
Salaries, wages and other benefits	1,205	1,156	2,130	2,350
	<u>1,475</u>	<u>1,304</u>	<u>2,541</u>	<u>2,651</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 six months ended 30 June 2022

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		For the six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	3,835	610	4,831	1,227
Depreciation of right-of-use assets	5	37	27	74
Impairment loss on trade and other receivables recognised	508	–	508	–
Research and development costs (i)	2,873	2,492	5,760	4,555
Cost of inventories (ii)	23,457	21,536	49,206	46,337

- (i) Research and development costs included staff costs of RMB384,000, RMB384,000, and depreciation of RMB992,000, RMB992,000, for the six months ended 30 June 2022 and 2021 respectively, 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 RMB2,886,000, and RMB1,850,000, and depreciation of RMB2,556,000 and RMB2,595,000, for the six months ended 30 June 2022 and 2021 respectively, which are also included in the respective total amounts disclosed separately above or in note 5(b).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the six months ended 30 June 2022

6. INCOME TAX EXPENSE

Income tax expense in the condensed consolidated statement of profit or loss represents:

	For the three months ended 30 June		For the six months ended 30 June	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current tax				
Provision for PRC income tax for the period	<u>821</u>	<u>570</u>	<u>1,892</u>	<u>1,419</u>
Deferred tax				
Reversal of temporary differences	<u>(4)</u>	<u>–</u>	<u>(4)</u>	<u>–</u>
	<u><u>817</u></u>	<u><u>570</u></u>	<u><u>1,888</u></u>	<u><u>1,419</u></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 December 2020 for another three years from 2021 to 2023 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 six months ended 30 June 2022

7. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Earnings		
Profit for the period attributable to owners of the Company	<u>6,988</u>	<u>8,031</u>

	For the six months ended 30 June	
	2022	2021
	'000	'000
Number of shares		
Weighted average number of ordinary shares issued	<u>300,000</u>	<u>297,292</u>

(b) Diluted earnings per share

No diluted earnings per share for both of the periods ended 30 June 2022 and 2021 is presented as there were no potential ordinary shares in issue for both of the periods ended 30 June 2022 and 2021.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the six months ended 30 June 2022

8. PROPERTY, PLANT AND EQUIPMENT

The Group's property, plant and equipment are all located in the PRC.

At 30 June 2022, property, plant and equipment with net book value of approximately RMB46,512,000 (At 31 December 2021: RMB51,054,000).

9. INVENTORIES

	At 30 June 2022 RMB'000 (unaudited)	At 31 December 2021 RMB'000 (audited)
Glass manufacturing		
– Raw materials	47,937	49,446
– Finished goods	85,272	66,878
	133,209	116,324

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the six months ended 30 June 2022

10. TRADE AND OTHER RECEIVABLES

	At 30 June 2022 RMB'000 (unaudited)	At 31 December 2021 RMB'000 (audited)
Trade debtors, gross amount	90,985	85,357
Less: Loss allowance recognised	(9,810)	(9,302)
	<hr/>	<hr/>
Trade debtors, net of loss allowance	81,175	76,055
Deposits and prepayments	51,459	63,491
	<hr/>	<hr/>
	132,634	139,546
	<hr/> <hr/>	<hr/> <hr/>
	At 30 June 2022 RMB'000 (unaudited)	At 31 December 2021 RMB'000 (audited)
Analysis for reporting purpose classified under		
– Current assets	132,384	138,146
– Non-current assets	250	1,400
	<hr/>	<hr/>
	132,634	139,546
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the six months ended 30 June 2022

10. TRADE AND OTHER RECEIVABLES (Continued)

Aged analysis

As of the end of the reporting period, the aged analysis of trade receivables, based on the invoice date and net of loss allowance, is as follows:

	At 30 June 2022 RMB'000 (unaudited)	At 31 December 2021 RMB'000 (audited)
Within 3 months	29,786	74,478
3 to 6 months	24,026	918
6 to 12 months	27,031	551
Over 1 year	332	108
	81,175	76,055

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the six months ended 30 June 2022

11. TRADE AND OTHER PAYABLES

	At 30 June 2022 RMB'000 (unaudited)	At 31 December 2021 RMB'000 (audited)
Trade payables	6,834	38,921
Other payables and accruals	20,715	17,353
	27,549	56,274

Aged analysis

As of the end of the reporting period, the aged analysis of trade payables, based on the invoice date, is as follows:

	At 30 June 2022 RMB'000 (unaudited)	At 31 December 2021 RMB'000 (audited)
Within 1 month	296	33,691
1 to 3 months	453	5,085
Over 3 months	6,085	145
	6,834	38,921

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the six months ended 30 June 2022

12. BANK LOANS

	At 30 June 2022 RMB'000 (unaudited)	At 31 December 2021 RMB'000 (audited)
Within 1 year or on demand	56,200	39,000
Over 1 year	3,000	3,500
	59,200	42,500

	At 30 June 2022 RMB'000 (unaudited)	At 31 December 2021 RMB'000 (audited)
Analysis for reporting purposes:		
– Current liabilities	56,200	39,000
– Non-current liabilities	3,000	3,500
	59,200	42,500

The bank loans were secured by the guarantees given by Ms. Lin Weishan, Mr. Wei Jiakun and Ms. Liu Rong (the “Guarantors”). These individuals are shareholders of the Company’s immediate holding company, Ming Liang Global Limited. Ms. Lin Weishan and Mr. Wei Jiakun are also directors of the Company.

In addition to the above, the bank loans to the extent of RMB19,200,000 (31 December 2021: RMB20,000,000) as at 30 June 2022 were secured by the Group’s property, plant and equipment.

As at 30 June 2022, the bank loans carried interest at interest rates ranged 3.95%–6.40% (31 December 2021: 3.85%–7.00%) per annum.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the six months ended 30 June 2022

13. OTHER BORROWINGS

	At 30 June 2022 RMB'000 (unaudited)	At 31 December 2021 RMB'000 (audited)
Secured other borrowings repayable:		
– Within 1 year or on demand	12,926	8,788
– Over 1 year and not more than 2 years	4,379	1,906
	17,305	10,694
	At 30 June 2022 RMB'000 (unaudited)	At 31 December 2021 RMB'000 (audited)
Analysis for reporting purposes:		
– Current liabilities	12,926	8,788
– Non-current liabilities	4,379	1,906
	17,305	10,694

The Group entered into agreements with certain third parties, pursuant to which the Group disposed of its machineries to these third parties, and thereafter leases back such machineries for a period of 2 years with the options granted to the Group to repurchase these machineries at nominal considerations at the end of the lease periods. Ms. Lin Weishan, Mr. Wei Jiakun, Ms. Liu Rong and a related company controlled by Mr. Wei Jiakun have given guarantees for the Group's obligations under the agreements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the six months ended 30 June 2022

13. OTHER BORROWINGS (Continued)

Management is of the view that the transfer of the machineries under the above agreements does not satisfy the requirements as a sale of assets under HKFRS 15, accordingly the Group as a seller-lessee continues to recognize the assets and accounts for the transfer proceeds as other borrowings and monthly rental paid by the Group are recognised as repayment of other borrowings and interest thereon.

On initial recognition, at 31 December 2021 and 30 June 2022, the other borrowings are carried at the effective interest rates of 5%–15% per annum.

14. SHARE CAPITAL

	No. of shares '000	HK\$'000	RMB'000
Ordinary shares, issued and fully paid:			
At 1 January 2021,			
31 December 2021,			
1 January 2022 and			
30 June 2022	<u>300,000</u>	<u>3,000</u>	<u>2,693</u>

The Company was incorporated in the Cayman Islands on 25 May 2017 with an initial authorised share capital of HK\$380,000 divided into 38,000,000 shares with a par value of HK\$0.01 each, of which one fully paid share was allotted and issued on 25 May 2017. On 11 December 2019, the authorised share capital of the Company was increased from HK\$380,000 to HK\$10,000,000.

15. DIVIDEND

The Directors did not recommend the payment of any dividend for the six months ended 30 June 2022 (2021: Nil).

16. APPROVAL OF FINANCIAL INFORMATION

This financial information were approved and authorised for issue by the Board on 12 August 2022.

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 interim results of the Group for the six months ended 30 June 2022, together with the comparative figures for the corresponding period ended 30 June 2021.

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 six months ended 30 June			
	2022		2021	
	RMB'000	%	RMB'000	%
	(unaudited)		(unaudited)	
– Sales of energy-efficient safety glass products	68,792	97	54,171	86
– Sales of smart glass products	1,895	3	8,897	14
	<u>70,687</u>	<u>100</u>	<u>63,068</u>	<u>100</u>

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2022, revenue arising from energy-efficient safety glass products amounted to RMB68,792 thousand (2021: RMB54,171 thousand), representing 97% (2021: 86%) of our total revenue.

For the six months ended 30 June 2022, revenue arising from smart glass product amounted to RMB1,895 thousand (2021: RMB8,897 thousand).

The Group's total revenue increased 12.08% from RMB63,068 thousand for the six months ended 30 June 2022 to RMB70,687 thousand for the six months ended 30 June 2021. The increase 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 increased from RMB16,731 thousand for the six months ended 30 June 2021 to RMB21,481 thousand for the six months ended 30 June 2022. The increase was mainly due to the increase in gross profit margin of our products for the period. The increase of our product gross profit margin was mainly due to the slight decrease in the costs of raw material during the first half year of 2021 (for the six months ended 30 June 2022: 30.4%; for the six months ended 30 June 2021: 26.5%). The table below sets forth the breakdown of our gross profit and gross profit margin by product category for the periods indicated:

	For the six months ended 30 June			
	2022		2021	
	RMB'000	%	RMB'000	%
	(unaudited)		(unaudited)	
– Sales of energy-efficient safety glass products	20,934	30.4	14,332	26.5
– Sales of smart glass products	547	28.9	2,399	27.0
Total gross profit/gross profit margin	21,481	30.4	16,731	26.5

The gross profit margin of energy-efficient safety glass products increased from 26.5% to 30.4%; the gross profit margin of smart glass product increased from 27.0% to 28.9%.

Other net income

The Group's other net income decreased from RMB1,121 thousand for the six months ended 30 June 2021 to RMB837 thousand for the six months ended 30 June 2022.

Cost of sales

The Group's cost of sales increased from RMB46,337 thousand for the six months ended 30 June 2021 to RMB49,206 thousand for the six months ended 30 June 2022, which was mainly due to the increase in sales.

Sales and marketing expense

The Group's sales and marketing expense increased from RMB36 thousand for the six months ended 30 June 2021 to RMB141 thousand for the six months ended 30 June 2022.

General and administrative expense

The Group's general and administrative expense increased from RMB5,556 thousand for the six months ended 30 June 2021 to RMB11,294 thousand for the six months ended 30 June 2022, which was mainly due to the increase of professional service fees.

Among which, our research and development costs increased from RMB4,555 thousand for the six months ended 30 June 2021 to RMB5,760 thousand for the six months ended 30 June 2022.

Finance costs

The Group's finance costs decreased from RMB2,810 thousand for the six months ended 30 June 2021 to RMB2,007 thousand for the six months ended 30 June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Staff costs

The Group's staff costs decreased from RMB2,651 thousand for the six months ended 30 June 2021 to RMB2,541 thousand for the six months ended 30 June 2022 due to that during the novel coronavirus disease (COVID-19) epidemic of 2020, the local government reduced the social security expenses.

Income tax expense

The Group's income tax expenses increased from RMB1,419 thousand for the six months ended 30 June 2021 to RMB1,888 thousand for the six months ended 30 June 2022, 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 better operating result than last period, and having a higher income tax than last period.

Profit for the period

Due to the above factors, the net profit for the period of the Group was RMB6,988 thousand for the six months ended 30 June 2022, while there was a net profit of RMB8,031 thousand for the corresponding period in 2021, which was mainly because the general and administrative expense largely increased.

Human resources and remuneration policies

As at 30 June 2022, the Group employed a total of 63 full-time employees. For the six months 30 June 2022, the Group's staff costs, including contributions to the defined contribution retirement scheme, salaries, wages and other benefits, amounted to approximately RMB2,541 thousand.

Liquidity and financial resources

The credit risk of the Group mainly arises from trade receivables and bank balances. To minimize our credit risk, the management of the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for unrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

As at 30 June 2022, the current ratio of the Group was 2.58, compared with 2.37 as at 31 December 2021. The cash and cash equivalents of the Group in aggregate amounted to RMB10,218 thousand as at 30 June 2022 (As at 31 December 2021: RMB12,930 thousand).

As at 30 June 2022, the bank loans of the Group amounted to RMB59,200 thousand (As at 31 December 2021: RMB42,500 thousand), and the Group did not experience any withdrawal of facilities, default in payment of trade and other payables, bank and loans or breach of financial covenants.

The Group's financial position remained solid and we have sufficient bank balances to meet our liabilities when they become due. Amounts due from associates/connected companies/shareholders ("Shareholders", and each, a "Shareholder") of the Company are continuously monitored by assessing the credit quality of the counterparty, taking into account their financial position, past experience and other factors. When necessary, impairment loss is made for estimated unrecoverable amounts. The credit risk on bank balances are limited as most of the bank balances are at banks with high credit ratings assigned by international credit ratings agencies.

Material investments

For the six months ended 30 June 2022, the Group did not acquire or hold any significant investment (2021: nil).

Material acquisitions/disposals

For the six months ended 30 June 2022, the Group did not complete any significant acquisitions/disposals (2021: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

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 30 June 2022 and 30 June 2021, 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

In spring of 2020, 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 the start of 2021, the impact of the novel coronavirus disease (COVID-19) epidemic has been eliminated almost and the project schedule and order execution of customers of the Group have returned tonormal gradually.

Pledge of assets

The property, plant and equipment of the Group are located in China.

As at 30 June 2022, property, plant and equipment with net book values of RMB87 thousand, (As at 31 December 2021: RMB95 thousand) were pledged as security to obtain bank loans of RMB19,200 thousand (As at 31 December 2021: RMB20,000 thousand).

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 30 June 2022 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 six months ended 30 June 2022, the Group has not developed any future plan of material investments or capital assets.

MANAGEMENT DISCUSSION AND ANALYSIS

Use of net proceeds from the share offer

The Company's shares were listed on the Stock Exchange on 13 January 2020 with a total of 75,000,000 offer shares issued and based on the final Offer Price of HK\$0.77 per Offer Share, the net proceeds raised from the global offering were approximately HK\$19.2 million (RMB17.1 million, exchange rate of HK\$ to RMB is 0.8919 on date of 13 January 2020). There was no change in the intended use of net proceeds as previously disclosed in the Prospectus. As at 30 June 2022, the net proceeds have been utilised as follows:

Use	Approximate% of total actual net proceeds	Adjusted use of net proceeds in the manner and proportion as stated in the Prospectus		Utilised net proceeds as at	Unutilised net proceeds as at
		HK\$'000	RMB'000	30 June 2022 RMB'000	30 June 2022 RMB'000
Upgrade the Group's existing production facilities	51.3%	9,800	8,741	8,741	–
Repay the Group's bank loan	10.8%	2,100	1,873	1,873	–
Enhance the Group's research and development capabilities	12.9%	2,500	2,230	2,230	–
Enhance the infrastructure of information technology, production safety and environmental protection in order to upgrade the Group's Xianqiao Plant and ERP system	14.4%	2,800	2,497	2,497	–
Expand the Group's sales and marketing coverage	5.6%	1,100	981	–	981
Provide funding for the Group's working capital and other general corporate purposes	5.6%	900	803	803	–

As at 30 June 2022, RMB0.98 million of the proceeds remain unutilized. The delay in the application of the net proceeds is due to novel coronavirus disease (COVID-19) epidemic, which postpones the implementation of the Company's plan of marketing coverage. Considering the threat and uncertainty of COVID-19 remain in the PRC currently, the Company expect the situation will be better in the end of year 2021, based on the best estimation of the future market conditions. The Company intends to apply the unutilised net proceeds at the beginning of year 2022 and expects unutilised net proceeds to be fully utilized on or before 31 December 2022.

Future plans for material investments or capital assets

On 12 May 2022, the Company entered into a termination agreement (the "Termination Agreement") with Ming Liang Global Limited ("Ming Liang Global"), pursuant to which the Company and Ming Liang Global mutually agreed to terminate the Equity Sale and Purchase Agreement immediately. Upon the execution of the Termination Agreement, the duties and obligations of the Company and Ming Liang Global under the Equity Sale and Purchase Agreement have been released; the Company has not paid any deposit in respect of the Acquisition and neither party shall make any compensation to the other. The Termination Agreement was entered into because certain conditions precedent under the Equity Sale and Purchase Agreement were not fulfilled, including that the information required for the preparation of the circular in relation to the Equity Sale and Purchase Agreement is not all available. As a result, the Company has not yet obtained Independent Shareholders' approval regarding the terms of the Equity Sale and Purchase Agreement.

Disclosures under Rules 17.22 to 17.24 of the GEM Listing Rules

As at 30 June 2022, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital commitment

	At 30 June 2022 RMB'000 (unaudited)	At 31 December 2021 RMB'000 (audited)
Contracted for	<u>9,948</u>	<u>9,980</u>

Gearing ratio

As at 30 June 2022, the Group's gearing ratio (total loans and borrowings/total equity) was 36.9%, compared with 26.5% as at 31 December 2021.

Dividend

The Directors did not recommend the payment of any dividend for the six months ended 30 June 2022 (2021: Nil).

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.

* For identification purposes only

OTHER INFORMATION

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 six months ended 30 June 2022.

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

As at 30 June 2022, 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 six months ended 30 June 2022 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.

OTHER INFORMATION

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

As at 30 June 2022, 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%
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%

OTHER INFORMATION

Name	Capacity/nature of interest	Total number of Shares held (L) ⁽¹⁾	Percentage of shareholding
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.

RELATED PARTY TRANSACTIONS

The Group had not entered into any related party transactions during the six months ended 30 June 2022.

OTHER INFORMATION

CONNECTED TRANSACTION

On 17 May 2022, the Company entered into the share subscription agreement (the “Share Subscription Agreement”) with Ming Liang Global, pursuant to which the Company has conditionally agreed to allot and issue, and Ming Liang Global has conditionally agreed to subscribe for, 99,000,000 subscription shares (the “Subscription Share(s)”) on the terms of the Share Subscription Agreement (the “Share Subscription”). The Subscription Shares will be allotted and issued under the specific mandate approved at the extraordinary general meeting on 15 July 2022.

The subscription price is HK\$0.4 per Subscription Share (the “Subscription Price”). The Subscription Shares have an aggregate nominal value of HK\$990,000. The Subscription Price shall be payable by Ming Liang Global in cash upon the completion of the Share Subscription (the “Closing”).

The aggregate gross proceeds of the Share Subscription will be approximately HK\$39,600,000. The aggregate net proceeds of the Share Subscription, after the deduction of related fees and expenses, will be approximately HK\$39,250,000.

The Company intends to apply the net proceeds from the Share Subscription (a) as to 60% for the maintenance and operation of the existing business (including purchase of raw materials, upgrading and purchase of production equipment to enhance efficiency and quality, and repayment of borrowings); (b) as to 30% for potential acquisitions and development of new business; and (c) as to 10% for the Group’s general working capital.

The Board is of the view that the terms of the Share Subscription Agreement (including the Subscription Price) are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

As at the date of the entering into of the Share Subscription Agreement, Ming Liang Global holds approximately 50.25% of the issued share capital of the Company and is therefore a connected person of the Company. The Share Subscription Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company and is subject to the reporting, announcement, circular and Independent Shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules.

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 six months ended 30 June 2022.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

On 17 May 2022, the Company entered into the Share Subscription Agreement with Ming Liang Global, pursuant to which the Company has conditionally agreed to allot and issue, and Ming Liang Global has conditionally agreed to subscribe for, 99,000,000 subscription shares on the terms of the Share Subscription Agreement. For details, please refer to the section headed "CONNECTED TRANSACTION".

Pursuant to the Share Subscription Agreement, the Closing is conditional upon the satisfaction (or if applicable, waiver) of the following conditions precedent:

- (a) the passing of resolution(s) by the Independent Shareholders at the EGM approving the Share Subscription Agreement and the transactions contemplated thereunder;
- (b) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Subscription Shares and such approval not having been withdrawn or revoked;
- (c) the current listing of the Shares on the Stock Exchange not having been cancelled or withdrawn;
- (d) each of the warranties included in the Share Subscription Agreement given by the Company remaining true and accurate in all respects and not misleading in any respect as at Closing;
- (e) the Company not having materially breached or failed to perform in any material respect its other obligations or undertakings under the Share Subscription Agreement prior to Closing;

OTHER INFORMATION

- (f) all consents, approvals, permits, authorizations or clearances (as the case may be) that the Company reasonably considers necessary pursuant to applicable laws, regulations or rules (including but not limited to the GEM Listing Rules) for its execution, implementation and completion of the Share Subscription Agreement having been obtained, and all such consents, approvals, permits, authorisations and clearances not having been revoked or withdrawn at any time before Closing;
- (g) all consents, approvals, permits, authorizations or clearances (as the case may be) that Ming Liang Global reasonably considers necessary pursuant to applicable laws, regulations or rules (including but not limited to the GEM Listing Rules) for its execution, implementation and completion of the Share Subscription Agreement having been obtained, and all such consents, approvals, permits, authorisations and clearances not having been revoked or withdrawn at any time before Closing;
- (h) from the date of the Share Subscription Agreement entered into between the Company and Ming Liang Global up to and at the Closing Date, there not having occurred any change (nor any development or event involving a prospective change), in the business, assets and liabilities, condition (financial or otherwise), business operations, results of operations or general affairs of the Company or the Group taken as a whole (whether or not arising in the ordinary course of business), which, in the reasonable opinion of Ming Liang Global, has or would have a Material Adverse Effect.

Among the above conditions, items (a), (b), (c), (f) and (g) are not waivable, while items (d), (e) and (h) may be waived by Ming Liang Global.

If any Condition Precedent has not been satisfied or waived by 11:59 p.m. on 17 August 2022 (the “Long Stop Date”), the Share Subscription Agreement shall be automatically terminated with immediate effect.

Subject to the Conditions Precedent being satisfied or waived (if applicable) and the relevant terms under the Share Subscription Agreement, Closing shall occur on the date that is ten (10) Business Days after the date (not being later than the Longstop Date) on which the last of the Conditions Precedent is satisfied or waived (if applicable) via exchange of documents and signatures, or at such other date, time and venue as the parties may agree in writing (the “Closing Date”).

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 six months ended 30 June 2022.

SHARE OPTION SCHEME

The Company did not have share option scheme as at 30 June 2022.

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 six months ended 30 June 2022, 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 six months ended 30 June 2022 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 six months ended 30 June 2022 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 six months ended 30 June 2022.

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
China Hongguang Holdings Limited
LIN Weishan
Chairwoman and Executive Director

Hong Kong, 12 August 2022

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.