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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

ANNUAL REPORT
2022

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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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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
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Mr. WENG Weilin

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Mr. WEI Jiakun

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Dongshan, Rongcheng
Jieyang, Guangdong
the PRC

Bank of China Limited

Jieyang Branch
Linjiang North Road North
Xiaocui Road East, Dongshan
Rongcheng
Jieyang, Guangdong
the PRC

DBS Bank (Hong Kong) Limited

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Central, Hong Kong

STOCK CODE

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COMPANY WEBSITE ADDRESS

www.hongguang.hk

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the board of directors (the "Board"), I am hereby to present the annual results report of China Hongguang Holdings Limited and its subsidiaries (collectively, "China Hongguang" or the "Group") for the year ended 31 December 2022.

The Group primarily engages in the production and sales of architectural glass products in Southern China. The goal of our future development is to enhance our market position in the Chinese architectural industry and to enlarge our domestic market share to capture future development opportunities.

The listing of shares of China Hongguang on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 13 January 2020 marks an important milestone in the development of the Group. Funds raised from the public offer and placing of the shares of the Company will promote the future development of China Hongguang. The Group has commenced strategic deployment to grasp the huge development potential of the architectural glass industry and relevant extended industries.

Currently, the Board of Directors of the Group has appointed professional parties to evaluate the possibility of transferring the listing of the securities of the Company from GEM to the Main Board of the Stock Exchange, with the intention of further leveraging on the Hong Kong stock capital market to empower the Group.

Since the spring of 2020, Mainland China and the rest of the world have been hit by the novel coronavirus disease (COVID-19) epidemic, while the People's Republic of China ("PRC") government has implemented a strong COVID-19 prevention and control policies. It was not until the fourth quarter of 2022 that the PRC government began to adjust its prevention and control policies and gradually relaxed controls nationwide.

The past year of 2022 was a year of challenges and uncertainties for the Group. However, to a certain extent, the Group was able to withstand the challenges arising from the macro environment. During 2022, the operating revenue of the Group recorded a year-on-year increase of 2.7% from 2021.

We look forward to continued economic growth in Mainland China in the coming 2023.

The Group is continuously seeking acquisition or investment opportunities to enhance the value of China Hongguang, in order to enhance the Group's risk tolerance and its value, and continue to create new growth drivers for the Group.

On 21 January 2022, the Company entered into a non-legally binding memorandum of understanding with 北京箴言資產管理有限公司 (Beijing Maxim Asset Management Company Limited) (for identification purpose only) (the "Maxim Asset") and intended to entrust Maxim Asset to seek cooperation with outstanding internet platforms in the mainly engaged in business of the social e-commerce segment.

On 27 September 2022, the Company has entered into a non-binding memorandum of understanding with Xia Neng Technology (Beijing) Limited* (夏能科技(北京)有限公司) ("Xia Neng") and intends to form a strategic partnership with Xia Neng to jointly promote the development of the Building Integrated Photovoltaic ("BIPV") industry in Mainland China, as well as facilitate collaborations on BIPV and new energy projects.

Lastly, on behalf of the Board and the management of the Group, I would like to thank all employees for their devoted efforts during the year, and shareholders for their steadfast support to the Group. In addition, I would like to extend my sincere gratitude to shareholders, investors, customers, suppliers and business partners for their dedicated support.

LIN Weishan
Chairwoman and Executive Director

31 March 2023

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 Group's audited consolidated financial results for the year ended 31 December 2022, together with the comparative audited figures for the corresponding year ended 31 December 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:

	2022		2021	
	RMB'000	**%**	RMB'000	%
Sales of energy-efficient safety glass products	**205,782**	**98.6**	182,986	90.1
Sales of smart glass products	**2,874**	**1.4**	20,088	9.9
	208,656	**100.0**	203,074	100.0

For the year ended 31 December 2022, revenue arising from energy-efficient safety glass products amounted to RMB205,782 thousand (2021: RMB182,986 thousand), representing 98.6% (2021: 90.1%) of our total revenue.

For the year ended 31 December 2022, revenue arising from smart glass product amounted to RMB2,874 thousand (2021: RMB20,888 thousand).

The Group's total revenue increased 2.7% from RMB203,074 thousand for the year ended 31 December 2021 to RMB208,656 thousand for the year ended 31 December 2022. The increase was mainly due to the growth in sales of energy-efficient safety glass products in 2022.

Gross profit and gross profit margin

Our gross profit increased from RMB57,504 thousand for the year ended 31 December 2021 to RMB65,171 thousand for the year ended 31 December 2022. The increase was mainly due to the increase in total revenue for the year. Our gross profit margin was mainly maintained at a steady level but with a rise (2022: 31.2%; 2021: 28.3%). The table below sets forth the breakdown of our gross profit and gross profit margin by product category for the periods indicated:

	2022		2021	
	RMB'000	**%**	RMB'000	%
Sales of energy-efficient safety glass products	**64,275**	**31.3**	51,818	28.3
Sales of smart glass products	**896**	**31.1**	5,686	28.3
Total gross profit/gross profit margin	**65,171**	**31.2**	57,504	28.3

Other net income

The Group's other net income increased from RMB3,137 thousand for the year ended 31 December 2021 to RMB3,244 thousand for the year ended 31 December 2022, which was mainly due to the increase in government grants from RMB2,158 thousand in 2021 to RMB2,901 thousand in 2022.

Cost of sales

The Group's cost of sales decreased from RMB145,570 thousand for the year ended 31 December 2021 to RMB143,485 thousand for the year ended 31 December 2022.

Sales and marketing expense

The Group's sales and marketing expense increased from RMB159 thousand for the year ended 31 December 2021 to RMB304 thousand for the year ended 31 December 2022, which was mainly due to the increase of certain service fees for marketing.

General and administrative expense

The Group's general and administrative expense largely increased from RMB13,823 thousand for the year ended 31 December 2021 to RMB24,323 thousand for the year ended 31 December 2022 which was mainly due to increase of listing fee and impairment losses on trade and other receivables.

Finance costs

The Group's finance costs increased from RMB3,071 thousand for the year ended 31 December 2021 to RMB4,399 thousand for the year ended 31 December 2022, which was mainly due to the increase of interest caused by the other borrowings.

Staff costs

The Group's staff costs maintained at a similar level as last year, with a slight decrease from RMB5,605 thousand for the year ended 31 December 2021 to RMB5,322 thousand for the year ended 31 December 2022.

Income tax expense

The Group's income tax expense increased from RMB4,588 thousand for the year ended 31 December 2021 to RMB4,829 thousand for the year ended 31 December 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 year, and having a higher income tax than last year.

Profit for the year

Due to the above factors, the profit after tax for the year of the Group was RMB34,560 thousand for the year ended 31 December 2022, representing a decrease of approximately 11.4% from the profit after tax for the year of RMB39,000 thousand for the corresponding period in 2021 mainly due to the large increase in expenses.

Human resources and remuneration policies

As at 31 December 2022, the Group employed a total of 66 full-time employees. For the year ended 31 December 2022, the Group's staff costs, including contributions to the defined contribution retirement scheme, salaries, wages and other benefits, amounted to approximately RMB5,322 thousand.

Liquidity and financial resources

The credit risk of the Group mainly arises from trade receivables. 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 31 December 2022, the current ratio of the Group was 2.87, compared with 2.37 as at 31 December 2021. The cash and cash equivalents of the Group in aggregate amounted to RMB13,268 thousand as at 31 December 2022 (2021: RMB12,930 thousand).

For the year ended 31 December 2022, the bank loans of the Group amounted to RMB61,500 thousand (2021: RMB42,500 thousand), other borrowings amounted to RMB19,743 thousand (2021: RMB10,694 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.

Material investments

For the year ended 31 December 2022, the Group did not acquire or hold any significant investment (2021: nil).

* For identification purpose only

Material acquisitions/disposals

On 13 April 2021, the Company entered into the equity sale and purchase Agreement (the "Equity Sale and Purchase Agreement") with Ming Liang Global Limited ("Ming Liang Global"), the immediate holding company of the Group, pursuant to which the Company has agreed conditionally to acquire, and Ming Liang Global has agreed conditionally to sell, the 100% of the issued share capital of a newly incorporated company which holds the entire equity interest in Guangdong Longjian Engineering Co., Ltd.

On 12 May 2022, the Company entered into a termination agreement with Ming Liang Global (the "Termination Agreement"), pursuant to which the Company and Ming Liang Global mutually agreed to terminate the Equity Sale and Purchase Agreement. For details, please refer to the Company's announcements dated 13 April 2021 and 12 May 2022.

Except as disclosed above, the Group did not have any material acquisitions/disposals of subsidiaries and associated companies for the year ended 31 December 2022 and 2021.

Foreign exchange risk

The principal activities of the Group are conducted in the PRC, and the transactions of the Group is primarily denominated in RMB. The Group does not have any foreign currency hedging policies. However, the management monitors our foreign exchange risk and will consider hedging significant foreign currency exposure should the need arise. As at 31 December 2022 and 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 year of 2020 and 2021, thus also triggering the slowdown of the development of the architectural glass industry. In the meanwhile, the PRC government has implemented a strong COVID-19 prevention and control policies. It was not until the fourth quarter of 2022 that the PRC government began to adjust its prevention and control policies and gradually relaxed controls nationwide. Thus, the risk factor of COVID-19 has been not significant.

Pledge of assets

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

For the year ended 31 December 2022, property, plant and equipment with net book values of RMB87 thousand (2021: RMB87 thousand) were pledged as security to obtain bank loans of RMB37,200 thousand (2021: RMB20,000 thousand).

At the end of the reporting period, property, plant and equipment with net book value of RMB33,700 thousand (2021: RMB22,800 thousand) were pledged under sale and leaseback arrangement.

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 annual 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. For details, please refer to page 29 in Directors' Report herein.

Save as disclosed in this report, there are no significant events subsequent to 31 December 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

As at 31 December 2022, the Group did not have plans for material investments and capital assets.

Contingent liabilities

As at 31 December 2022, the Group did not have any material contingent liabilities (2021: Nil).

Capital structure

The shares of the Company were successfully listed on GEM of the Stock Exchange on 13 January 2020. There has been no change in the capital structure of the Group since the listing of the shares of the Company on GEM of the Stock Exchange. The share capital of the Group only comprises of ordinary shares.

On 17 May 2022, the Company entered into 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 at a price of HK$0.4 per share ("Share Subscription"). 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 per below:

(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. The Company contemplates the acquisition of (1) Building-Integrated Photovoltaics (BIPV) glass system business. BIPV are photovoltaic materials that are used to replace conventional building materials in parts of the building envelope such as the roof, skylights, or facades, which are increasingly being incorporated into the construction of new buildings as a principal or ancillary source of electrical power to help reduce electricity costs; (2) social e-commerce business and the Company has entered into a non-legally binding memorandum of understanding with the Maxim Asset to seek cooperation with outstanding internet platforms in the PRC. If the potential acquisition of new business does not materialize, the Company would consider acquiring new equipment, hiring qualified staff and developing the new business on its own, or may use such proceeds for the repayment of borrowings instead; and

(c) as to 10% for the Group's general working capital.

For details of the Share Subscription, please refer to the announcements of the Company dated 17 May 2022 and 31 August 2022 and circular of the Company dated 27 June 2022.

On 31 August 2022, the Company allotted and issued 99,000,000 ordinary shares at a price of HK$0.4 per share to Ming Liang Global. Due to the miscommunication between the finance department of the Company and Ming Liang Global, the proceeds of the Share Subscription of HK$39,600,000 were received by the Group in October 2022. The Company has engaged professional party to review the internal control system and procedures of the Company regarding the issue of shares and receipt procedures.

As at 31 December 2022, HK$23,760,000 was utilised 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), HK$11,880,000 was utilised for acquisition of new equipment which has capability of producing BIPV glass and repayment of borrowings (since potential acquisition of new business did not materialize), and HK$1,460,000 was utilised for the Group's general working capital. Remaining HK$2,500,000 was unutilised for the Group's general working capital which was expected to be fully utilised by the end of 31 December 2023.

Details of the movements during the year ended 31 December 2022 in the Company's share capital are set out in note 22 to the consolidated financial statements.

Disclosures under Rules 17.22 to 17.24 of the GEM Listing Rules

As at 31 December 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.

Outlook and prospects

For details, please refer to page 29 in the Directors' Report herein.

Capital commitment

As at 31 December 2022, the Group had certain outstanding capital commitments at a contracted amount of RMB2,000 thousand (2021: nil) for capital assets and an amount authorized but not contracted for of RMB2,980 thousand (2021: RMB9,980 thousand).

Gearing ratio

As at 31 December 2022, the Group's gearing ratio (total loans and borrowings/total equity) was 30.2%, compared with 26.5% as at 31 December 2021.

Dividend

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: nil).

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. WEI Jiakun (魏佳坤) ("Mr. Wei"), aged 43, was appointed as a Director of the Group on 25 May 2017. He was re-designated as an Executive Director and appointed as the Chief Executive Officer of the Group on 27 May 2019. Mr. Wei is the spouse of Ms. LIN Weishan, the Chairwoman and an Executive Director of the Group. He is primarily responsible for overseeing the day-to-day operations and overall business strategy and planning of the Group.

After Mr. Wei's graduation from Jiangxi Yuzhou Vocational College of Science and Technology* (江西渝州科技職業學院) (now known as Jiangxi University of Engineering (江西工程學院)) in July 2004 where he completed his tertiary education in business administration, he joined Jieyang Hongguang Coated Glass Co., Ltd. ("Hongguang Glass"), an indirect wholly-owned subsidiary of the Company, in August 2004 as a deputy general manager, and was further promoted as general manager in October 2006. Mr. Wei has approximately 18 years of experience in the glass processing industry.

Mr. Wei's outstanding achievements as an entrepreneur have been recognised throughout the years. In December 2009, Mr. Wei was awarded the "Guangdong Glass Industry Outstanding Entrepreneur"* (廣東玻璃行業優秀企業家) by the Guangdong Glass Association (廣東省玻璃行業協會). In 2013, Mr. Wei was honoured as a "Guangdong Entrepreneur Of Integrity"* (廣東省誠信企業家) and "Guangdong Outstanding Entrepreneur"* (廣東省優秀企業家) by the Guangdong Economist Entrepreneurs Association* (廣東省經濟學家企業家聯誼會) and the Guangdong Entrepreneurs Council* (廣東企業家理事會).

From August 2011 to July 2015, Mr. Wei also served as an executive council member for the Guangdong Glass Association (廣東省玻璃行業協會). From November 2011 to October 2016, Mr. Wei served as a member of the standing committee of the Chinese People's Political Consultative Conference ("CPPCC") of the city of Jieyang* (政協廣東省揭陽市榕城區委員會). In December 2016, Mr. Wei was appointed as an executive member of the Guangdong Vacuum Industry Technology Innovation Alliance Council* (廣東省真空產業技術創新聯盟理事會), and a vice president of the executive committee of the Jieyang Federation of Industry and Commerce (General Chamber of Commerce)* (揭陽市工商業聯合會(總商會)). In January 2017, Mr. Wei was appointed as a representative of the sixth session of the People's Congress of the city of Jieyang* (揭陽市第六屆人民代表大會).

Mr. Wei was a supervisor of Dongguan City Hongcheng Glass Company Limited* (東莞市宏成玻璃有限公司) ("Hongcheng Glass"), a company established in the PRC with limited liability, when it was dissolved on 11 May 2016 by deregistration. According to Mr. Wei, Hongcheng Glass principally engaged in manufacture and sale of glasses prior to the dissolution. Hongcheng Glass had no outstanding liabilities and had ceased to carry on business when it was dissolved. Mr. Wei was also a director and shareholder of Jieyang City Haoming Glass Company Limited* (揭陽市昊明玻璃有限公司) ("Haoming Glass"), a company established in the PRC with limited liability, when its dissolution was approved by the relevant PRC authority on 9 August 2019. As confirmed by Mr. Wei, although the business scope of Haoming Glass was the production and sales of glass products, it has never commenced any business operation since its establishment in December 2003. Haoming Glass had no outstanding liabilities when it was dissolved. Mr. Wei confirmed that no claims had been made against him and he was not aware of any threatened and potential claims made against him as a result of the dissolution of the above companies.

Ms. LIN Weishan (林偉珊) ("Ms. Lin"), aged 43, was appointed as a Director of the Group on 25 May 2017. She was re-designated as an Executive Director and appointed as the Chairwoman of the Group on 27 May 2019. Ms. Lin is the spouse of Mr. WEI Jiakun, the Executive Director and Chief Executive Officer of the Group. She is primarily responsible for overseeing the human resources, administration and finance matters of the Group. Ms. Lin graduated from Jiangxi Yuzhou Vocational College of Science and Technology* (江西渝州科技職業學院) (now known as Jiangxi University of Engineering (江西工程學院)) in July 2005 where she completed her tertiary education in accounting.

Ms. Lin has approximately 17 years of experience in the glass processing industry. Ms. Lin joined Hongguang Glass as a production coordinator in August 2005. In October 2007, she began working in the finance and accounting department of the Group as a bookkeeper. In March 2010, Ms. Lin was promoted to the position of sales manager in the Group. Since June 2011, Ms. Lin has been in charge of procurement of the Group. In January 2013, Ms. Lin was promoted to the position of deputy general manager. Since then, she has been in charge of human resources, administration and finance matters of the Group.

Mr. CHEN Biming (陳壁明) ("Mr. Chen"), aged 46, was appointed as an Executive Director of the Group on 27 May 2019. Mr. Chen is primarily responsible for human resources and administration of the Group. Mr. Chen obtained the qualification of labor relations coordinator (勞動關係協調員) from the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部) in December 2018. Mr. Chen joined Hongguang Glass in May 2013 as head of administration. Mr. Chen has approximately 15 years of experience in business management. Prior to joining the Group, from September 2007 to May 2013, Mr. Chen worked as an assistant to the general manager and as a shopping mall manager at Jieyang Century Sunshine Home Company Limited* (揭陽市世紀陽光家居有限公司).

Mr. Chen graduated from South China University of Technology* (華南理工大學) in an administration management programme in January 2008 through online education.

Ms. LI Wanna (李婉娜) ("Ms. Li"), aged 32, was appointed as an Executive Director of the Group on 27 May 2019. She is primarily responsible for the procurement of raw materials and auxiliary materials for production operations of the Group. In December 2017, Ms. Li completed a self-learning secretarial studies course at Wuhan Textile University* (武漢紡織大學).

Ms. Li has over 13 years of experience in the glass processing industry. Ms. Li joined Hongguang Glass in February 2009 as a production coordinator until December 2013, and was mainly responsible for analysing the data of the Group. In January 2014, Ms. Li was promoted to the position of procurement officer, and was in charge of procurement of raw materials and auxiliary materials of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. CHEN Xiuyan (陳秀燕) ("Ms. Chen"), aged 47, was appointed as an Independent Non-Executive Director of the Company on 13 January 2020. Ms. Chen is responsible for providing independent advice to the board of directors, and is the chairwoman of the Audit Committee and a member of the Nomination Committee and the Remuneration Committee of the Company. Ms. Chen studied finance at the Sichuan University (四川大學) (online course) from March 2003 to June 2005.

Ms. Chen has approximately 20 years of experience in the field of accounting. She has been employed at Guangdong Life Strong Pharmaceutical Company Limited* (廣東萬年青製藥有限公司) since October 2002. From October 2002 to August 2006, she worked as a deputy financial manager, and from August 2006 to December 2011, as a financial manager. Since January 2012, Ms. Chen has been its chief finance officer, where she is responsible for overseeing the finance matters. Since July 2019, Ms. Chen has also been the director.

She was registered as a tax agent (註冊稅務師) of the PRC in June 2007, and became a non-practising member of the Guangdong Provincial Institute of Certified Public Accountants (廣東省註冊會計師協會) in October 2016. Ms. Chen was also certified as a board secretary by the Shenzhen Stock Exchange in December 2016. Ms. Chen served as a member of the fourth Shantou Jinping Committee of CPPCC (政協汕頭市金平區第四屆委員會) in November 2016 and has been serving as a supervisor of the Shantou Institute of Chartered Accountants (汕頭市註冊會計師協會) since March 2017.

Mr. JIA Xiaogang (賈小剛) ("Mr. Jia"), aged 66, was appointed as an Independent Non-Executive Director of the Company on 13 January 2020. Mr. Jia is responsible for providing independent advice to the board of directors, and is the chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee of the Company. Mr. Jia completed his tertiary education in Chinese language and literature at Hunan Radio and Television University* (湖南廣播電視大學) in July 1988.

Mr. Jia has extensive experience in the glass processing industry. He was employed at Zhuzhou Glass Factory* (株洲玻璃廠) (now known as Zhuzhou Xinguangming Glass Company Limited* (株洲新光明玻璃有限公司)) from September 1988 to December 1996. He joined the company in September 1988 and assumed various senior positions in the sales department of the company. From January 1997 to November 2008, he was employed by and assumed various senior positions in two other companies in the PRC engaging in glass manufacturing. He established a company called Zhuzhou Xinrun Trading Company Limited* (株洲新潤貿易有限公司) in June 2010 and has been the director and legal representative of the company since then. He was appointed as a deputy director of China Glass Circulation Chamber of Commerce* (中國玻璃流通商會) in January 2016 and is currently serving as a consultant for the Guangdong Glass Circulation Chamber of Commerce* (廣東省玻璃流通商會).

Mr. WU Yong (吳勇) ("Mr. Wu"), aged 52, was appointed as an Independent Non-Executive Director of the Company on 13 January 2020. Mr. Wu is responsible for providing independent advice to the board of directors, and is the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company. Mr. Wu obtained a master's degree and a doctor's degree in technical economics and management from Hehai University (河海大學) in April 2006 and December 2008, respectively.

Mr. Wu has extensive experience and knowledge in business management and finance. Since July 2008, he has been teaching at the School of Business of Nanjing Xiaozhuang University (南京曉莊學院商學院) and became a professor of the university in July 2018. Mr. Wu is also a chairman of its labor union. Since December 2014, he has been an independent director of Jiangsu Seven Continents Green Chemistry Company Limited* (江蘇七洲綠色化工股份有限公司), where he is responsible for providing independent advice to the board of directors of the company. Mr. Wu obtained his bachelor's degree in geography education from Anhui Normal University (安徽師範大學) in July 1993. From September 1993 to July 2003, he had been a teacher and deputy director of academic affairs of Anhui Province Ma'anshan No. 4 High School* (安徽省馬鞍山市第四中學).

SENIOR MANAGEMENT

Mr. ZHENG Xubin (鄭旭斌) ("Mr. Zheng"), aged 45, is the deputy general manager of Hongguang Glass, and is primarily responsible for the sales and marketing activities of the Group. He has over 17 years of experience in the glass processing industry. He joined Hongguang Glass in March 2005 as an operation manager, and became production manager in January 2011. Mr. Zheng was promoted to the position of deputy general manager in December 2013, and was primarily responsible for overseeing the sales of the Group. Mr. Zheng studied computer application and graduated from Guangzhou Township Enterprise Management Cadre College* (廣州市鄉鎮企業管理幹部學院) in July 1999.

JOINT COMPANY SECRETARIES

Mr. WENG Weilin (翁偉林) ("Mr. Weng") was appointed as the joint company secretary of the Company on 27 May 2019. Mr. Weng obtained his bachelor's degree in international business from Guangdong University of Foreign Studies* (廣東外語外貿大學) in June 2009, and his master's degree in business administration from Cheung Kong Graduate School of Business (長江商學院) in September 2016. Mr. Weng joined the Group in February 2017 as an assistant to the general manager and was primarily responsible for corporate compliance and corporate secretarial matters in the PRC. Prior to joining the Group, Mr. Weng was employed as a sales executive in Shantou Institute of Ultrasonic Instruments Company Limited* (汕頭市超聲儀器研究所有限公司) from July 2009 to September 2012. From December 2014 to January 2017, Mr. Weng was appointed as deputy director of the chief executive's office at Shantou Dinfer Group Company Limited* (汕頭市鼎福集團有限公司).

Ms. KWONG Oi Man Patty (鄺藹文女士) ("Ms. Kwong") was appointed as the joint company secretary of the Company on 14 May 2021. Ms. Kwong holds a Bachelor's Degree of Commerce from Monash University in Australia and she is currently a member of Hong Kong Institute of Certified Public Accountants and CPA Australia. Ms. Kwong currently serves as the company secretary of China Tangshang Holdings Limited (stock code: 0674) and Yik Wo International Holdings Limited (stock code: 8659), the above companies listed on the Hong Kong Stock Exchange. Ms. Kwong has over 12 years of experience in auditing, accounting and company secretarial practice.

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

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.

CORPORATE GOVERNANCE PRACTICES

As the shares of the Company were listed on GEM of Stock Exchange on 13 January 2020 (the "Listing Date"). The Company has adopted the Corporate Governance Code (the "CG Code") contained in Appendix 15 to the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") as its own code of corporate governance. The Directors consider that during the year ended 31 December 2022, save as the matter disclosed below, the Company has complied with all applicable code provisions set out in the CG Code.

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 (the "Share Subscription"). The Board approved the Share Subscription by written resolution instead of a physical board meeting required under Code Provision C.5.7 notwithstanding the controlling shareholder's and Directors' interest in the matter. In view of the material impact on business activities and schedule of Directors brought by COVID-19 in Mainland China in 2022, it is more difficult for the Company to schedule physical board meetings. Prior to the execution of the written resolution for the Share Subscription, the company secretary has timely circulated all relevant materials, and there was sufficient time for the Directors to raise any comments or enquiries. The Directors (excluding those which had interest in the matter) were well aware of the controlling shareholder's and Director's interest in the transaction, and had duly considered all circumstances to discharge their duties and responsibilities. The Board is of the view that Principle C.5 of the CG Code has been achieved.

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 year ended 31 December 2022.

BUSINESS MODEL AND STRATEGY

The Group has the mission to provide the best quality of architectural glass products, and maintain product safety. The Board and the management have played and will continue to play a proactive role in the Group's development of business strategy to preserve the culture of the Group in improving the product quality and safety. During the meetings of the Board and top management of the Group, strategic priorities and business options were discussed and followed up on the implementation status to achieve the mission of the Group.

THE BOARD

During the year, the Board comprised the following Directors:

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

The Company has met the requirements of the GEM Listing Rules relating to the appointment of at least three Independent Non-Executive Directors with at least one of whom is with appropriate professional qualifications or accounting or related financial management expertise.

There is a balance of skills and experience for the Board, which is appropriate for the requirements of the business of the Company. The Directors' biographical information is set out in the section headed "Directors and Senior Management" of this annual report.

The overall management of the Company's business is vested in the Board, which assumes the responsibility for leadership and control of the Company and the Directors are collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs and overseeing the achievement of strategic plans to enhance the shareholders' value.

Generally, the Board is responsible for all major aspects of the affairs of the Company, including:

- formulation of overall strategies and review of its financial performances and results and the risk management and internal control systems;
- policies relating to key business and financial objectives of the Company;
- material transactions, including acquisition, investment, disposal of assets or capital expenditure;
- appointment, removal or re-appointment of Board members and auditors;
- communication with key stakeholders, including shareholders and regulatory bodies; and
- recommendation to shareholders on final dividend and the declaration of any interim dividend.

The Board is responsible for maintaining proper accounting records so as to enable the Directors to monitor and disclose with reasonable accuracy the financial position of the Group. The Board updates shareholders on the operations and financial position of the Group through quarterly, interim and annual results announcements as well as the publication of timely reports and announcements of other matters as prescribed by the relevant laws, rules and regulations.

In addition, the Board is responsible for, among others, performing the corporate governance duties as set out in the code provision D.3.1 of the CG Code, which include:

(a) to develop and review the Group's policies and practices on corporate governance and make recommendations;

(b) to review and monitor the training and continuous professional development of the Directors and senior management;

(c) to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Directors and employees; and

(e) to review the Group's compliance with the CG Code and disclosure in the corporate governance report.

The Board has also delegated various responsibilities to the board committees of the Company. Further details of the board committees of the Company are set out below in this annual report.

All Directors, including Independent Non-Executive Directors assume the responsibilities to shareholders for the well-being and success of the Company. They are aware of their duties to act in good faith and in the best interests of the Company.

The Independent Non-Executive Directors advised the Company on strategic and critical matters. The Board considers that each Independent Non-Executive Director brings his own senior level of experience and expertise to the constructive functioning of the Board. To this end, regular informal meetings are held between Executive Directors and Independent Non-Executive Directors. The Chairman will hold meetings with Independent Non-Executive Directors at least annually without presence of Executive Directors to evaluate the functioning of the Board.

Each of the Executive Directors has entered into a service contract on 11 December 2019 with the Company commencing from the Listing Date for a term of three years unless terminated by either party by giving at least three months' notice in writing to the other party.

Each of the Independent Non-Executive Directors has entered into a service contract on 11 December 2019 with the Company for an initial term of one year commencing on the Listing Date and shall continue for an additional term of one year upon expiry of the initial term unless terminated by either party by giving at least three months' notice in writing to the other party.

The appointments are subject to the provisions of the articles of association of the Company (the "Articles of Association") with regard to vacation of office of Directors, removal and retirement by rotation of Directors.

The Executive Directors of the Company are delegated with responsibility to oversee and monitor the operation of specific business areas and to implement the strategies and policies set by the Board.

Board independence

The Company recognises that Board independence is pivotal in good corporate governance and Board effectiveness. The Board has established mechanisms to ensure independent views and input from any Director of the Company are conveyed to the Board for enhancing an objective and effective decision making. The governance framework and the following mechanisms are reviewed annually by the Board, through its Nomination and Remuneration Committee, to ensure their effectiveness:

1. Three out of the seven Directors are Independent Non-Executive Directors, which meets the requirements of the Listing Rules that the Board must have at least three Independent Non-Executive Directors and must appoint Independent Non-Executive Directors representing at least one-third of the Board.

2. The Nomination and Remuneration Committee will assess the independence, qualification and time commitment of a candidate who is nominated to be a new Independent Non-Executive Director before appointment and also the continued independence of existing Independent Non-Executive Directors and their time commitments annually. On an annual basis, all Independent Non-Executive Directors are required to confirm in writing their compliance of independence requirements pursuant to Rule 3.13 of the Listing Rules, and to disclose the number and nature of offices held by them in public companies or organisations and other significant commitments.

3. The Nomination and Remuneration Committee will conduct the performance evaluation of the Independent Non-Executive Directors annually to assess their contributions.

4. External independent professional advice is available as and when required by individual Directors.

5. All Directors are encouraged to express freely their independent views and constructive challenges during the Board/Board Committee meetings.

6. No equity-based remuneration with performance-related elements will be granted to Independent Non-Executive Directors.

7. A Director (including Independent Non-Executive Director) who has a material interest in a contract, arrangement or other proposal shall not vote or be counted in the quorum on any Board resolution approving the same.

8. The Chairman of the Board meets with Independent Non-Executive Directors annually without the presence of the Executive Director and Non-Executive Directors.

BOARD MEETINGS

Pursuant to code provision A.1.1 of the CG Code, the Board should meet regularly and board meetings should be at least four times a year. Additional meetings would be arranged if and when required. Notices of not less than 14 days will be given for all regular board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting. Board members are provided with all agenda and adequate information for their review within reasonable time before the meetings. After the meeting, draft minutes are circulated to all Directors for comments before confirmation. Minutes of board meetings and meetings of board committees are kept by the company secretary and are available for inspection by the Directors at all times. Each Director is entitled to seek independent professional advice in appropriate circumstances at the expense of the Company.

Directors may participate either in person or through electronic means of communications. Directors are free to contribute and share their views at meetings and major decisions will only be taken after deliberation at board meetings. Directors who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed will not be counted in the quorum of meeting and will abstain from voting on the relevant resolutions.

The Company held 4 board meetings during the year ended 31 December 2022 and complied with the code provision A.1.1 of the CG Code.

CHAIRMAN (CHAIRWOMAN) AND CHIEF EXECUTIVE

Code Provision A.2.1 of the CG Code provides that the roles of Chairman (Chairwoman) and chief executive should be separate and should not be performed by the same individual.

Ms. LIN Weishan ("Ms. Lin") is the Chairwoman of the Board and Mr. WEI Jiakun ("Mr. Wei") is the Chief Executive Officer of the Company. As disclosed Mr. Wei is the spouse of Ms. Lin. Despite their relationship, the divisions of responsibilities between the Chairwoman of the Board and the Chief Executive Office are clearly divided to ensure a balance of power and authority and to reinforce their independence and accountability.

Ms. Lin, being the Chairwoman, is responsible for providing leadership to the Board and ensuring that the Board functions effectively; that Directors receive in timely manner adequate information which is complete and reliable; and that all Directors are properly briefed on issues arising at board meetings. The Chairwoman also encourages Directors to participate actively in and to make a full contribution to the Board so that the Board acts in the best interests of the Company. Ms. Lin, being an Executive Director, is also responsible for overseeing the human resources, administration and finance matters of the Group.

Mr. Wei, being the Chief Executive Officer, is responsible for the daily operations of the Company, execution of business policies, strategies, objectives and plans as formulated and adopted by the Board and leading the management of the Company.

As at 31 December 2022, save as disclosed above, none of the Board members has any financial, business, family or other material/relevant relationships with each other.

BOARD COMMITTEES

Audit Committee

The Company established an audit committee (the "Audit Committee") on 11 December 2019 with written terms of reference by reference to the code provisions of the CG Code. The terms of reference of the Audit Committee was published on the websites of Stock Exchange and the Company.

The primary duties of the Audit Committee are to make recommendations to the Board on the appointment and dismissal of the external auditor, review the financial statements and information and provide advice in respect of financial reporting and oversee the internal control procedures of the Company. The Audit Committee comprises of three members, namely Ms. CHEN Xiuyan, Mr. JIA Xiaogang and Mr. WU Yong, all being Independent Non-Executive Directors. Ms. CHEN Xiuyan currently serves as the chairwoman of the Audit Committee.

During the year ended 31 December 2022, the Audit Committee held four meetings and the Audit Committee has performed the following major works:

– considered and recommended to the Board for approval of the audited consolidated financial results of the Group for the year ended 31 December 2021;

– considered and approved the accounting treatment adopted by the Group's annual reports for the year ended 31 December 2021;

– considered and recommended acceptance of the audit committee reports prepared by CCTH for the year ended 31 December 2021;

– reviewed the draft annual results announcements in relation to the audited consolidated results of the Group for the year ended 31 December 2021;

– considered and evaluated the management system adopted by the Group for internal, financial and risk management and internal control procedures;

– reviewed the compliance status of the Deed of Non-Competition;

– reviewed the effectiveness of the corporate governance measures adopted to manage any potential or actual conflict of interests between the Group and the controlling shareholders of the Company; and

– reviewed and recommended to the Board for the approval of the unaudited condensed consolidated first quarterly results, interim results and third quarterly results and the relevant reports.

Each of the controlling shareholders of the Company has provided with the Company a confirmation on compliance pursuant to their undertakings under the Deed of Non-Competition. The Audit Committee has reviewed the confirmations and noted that during the period from the Listing Date to 31 December 2022, each of the controlling shareholders of the Company has complied with the Deed of Non-Competition. The Audit Committee was not aware of any significant issues that would have an adverse impact on the effectiveness of the corporate governance measures.

Remuneration Committee

The Company established a remuneration committee (the "Remuneration Committee") on 11 December 2019 with written terms of reference by reference to the code provisions of the CG Code. The terms of reference of the Remuneration Committee was published on the websites of Stock Exchange and the Company.

The primary duties of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and the structure relating to all Directors and senior management of the Group, review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives and ensure none of the Directors determine their own remuneration. The Remuneration Committee comprises of three members, namely Mr. WU Yong, Ms. CHEN Xiuyan and Mr. JIA Xiaogang, all being Independent Non-Executive Directors. Mr. WU Yong currently serves as the chairman of the Remuneration Committee.

During the year ended 31 December 2022, the Remuneration Committee held one meeting and the Remuneration Committee has performed the following major works:

– assessed and reviewed the performance of individual Executive Directors and senior management for the year ended 31 December 2021 and made recommendations to the Board on the 2021 discretionary bonus; and their respective remuneration packages for the year ended 31 December 2022; and

– considered and approved the recommendation of the remuneration packages of Independent Non-Executive Directors for the year ended 31 December 2022.

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the members of the senior management by band for the year ended 31 December 2022 is set out below:

Remuneration Band	**No. of Individual**
Nil to RMB1,000,000	11

Nomination Committee

The Company established a nomination committee (the "Nomination Committee") on 11 December 2019 with written terms of reference by reference to the code provisions of the CG Code. The terms of reference of the Nomination Committee was published on the websites of Stock Exchange and the Company.

The primary duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board annually and make recommendation to the Board on any proposed changes to the Board to complement the Company's corporate strategy; identify individual suitably qualified as potential board members and select or make recommendation to the Board on the selection of individuals nominated for directorships; assess the independence of Independent Non-Executive Directors; and make recommendation to the Board on the appointment or re-appointment of Directors and succession planning of Directors, in particular that of the Chairman and the Chief Executive Officer. The Nomination Committee comprises of three members, namely Mr. JIA Xiaogang, Ms. CHEN Xiuyan and Mr. WU Yong, all being Independent Non-Executive Directors. Mr. JIA Xiaogang currently serves as the chairman of the Nomination Committee.

During the year ended 31 December 2022, the Nomination Committee held one meeting and the Nomination Committee has performed the following major works:

– assessed the independence of the Independent Non-Executive Directors;

– recommended to the Board on re-election of retiring directors at the held annual general meeting on 30 June 2022;

– reviewed the structure, size and diversity (including but not limited to gender, age, cultural, educational background, races, professional experience, skills, knowledge and length of service) of the Board; and

– reviewed the implementation of board diversity policy adopted by the Board.

BOARD DIVERSITY POLICY

The Board recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance. With a view to achieving sustainable and balance development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board and also the needs of the Board without focusing on a single diversity aspect. The board diversity policy (the "Policy") adopted aims to set out the approach to achieve diversity on the Board. A summary of the Policy is set out below:

Measurable Objectives and Implementation

The Company commits to selecting the best person for the role. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service and any other factors that the Board may consider relevant and applicable from time to time. The Company will also take into consideration factors based on the Company's business model and specific needs from time to time in determining the optimum composition of the Board. The ultimate decision will be based on merit and contribution that the selected candidates may bring to the Board.

Monitoring and Reporting

The Nomination Committee will report annually, in annual report, on the Board's composition under diversified perspective, and monitor the implementation of this Policy.

Review of this Policy

The Nomination Committee will review this Policy, as appropriate, to ensure the effectiveness of the Policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

On recommendation from the Nomination and Remuneration Committee, the Board will set measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. Nomination and Remuneration Committee will review the Board Diversity Policy at least annually to ensure its continued effectiveness from time to time.

For the year ended 31 December 2022, the Company maintained an effective Board comprising members of different genders, professional background and industry experience. The Company's Board Diversity Policy was consistently implemented. As at the date of this annual report, the Board consists of three female and four male Directors. Within 66 employees of the Group as at 31 December 2022, 45 employees were male and 21 employees are female. The Board considers that the gender diversity in respect of the Board and the Group's employees taking into account the business model and specific needs of the Company is satisfactory. The Board targets by the ends of year to maintain at least the current level of female representation, with the ultimate goal of achieving gender parity by the end of 2025. The Board will continue to seek opportunities to increase the proportion of female members over time as and when suitable candidates are identified.

ATTENDANCE RECORDS OF BOARD MEETINGS, BOARD COMMITTEES MEETINGS AND GENERAL MEETING

During the year ended 31 December 2022,the attendance records of each Director and each member of the board committees of the Company at the relevant meetings held are as follows:

	Actual Attendance/Number of Meetings a Director is entitled to attend				
	Board	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**General Meeting**
No. of Meetings held	4	4	1	1	2
Executive Directors					
Mr. WEI Jiakun	4/4	N/A	N/A	N/A	2/2
Ms. LIN Weishan	4/4	N/A	N/A	N/A	2/2
Mr. CHEN Biming	4/4	N/A	N/A	N/A	2/2
Ms. LI Wanna	4/4	N/A	N/A	N/A	2/2
Independent Non-Executive Directors					
Ms. CHEN Xiuyan	4/4	4/4	1/1	1/1	2/2
Mr. JIA Xiaogang	4/4	4/4	1/1	1/1	2/2
Mr. WU Yong	4/4	4/4	1/1	1/1	2/2

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Each newly appointed Director receives a comprehensive induction package (the "Package") designed to enhance his/her knowledge and understanding the Group's culture and operations. The Package usually includes a briefing or an introduction to the Group's structure, business strategies, recent developments and governance practices.

The Group acknowledges the importance of continuing professional development for the Directors for the enhancement of corporate governance and internal control system. In this regard and in compliance with code provision A.6.5 of the CG Code, the Group provides funding to all Directors to participate in continuous professional development organized in the form of in-house training and seminars so as to keep them refreshed of their knowledge and skills and understanding of the Group's business and to update their skills and knowledge on the latest development and changes in the relevant statutes, the GEM Listing Rules and corporate governance practices.

According to the records kept by the Company, during the year ended 31 December 2022, each of the Directors, namely Mr. WEI Jiakun, Ms. LIN Weishan, Mr. CHEN Biming, Ms. LI Wanna, Ms. CHEN Xiuyan, Mr. JIA Xiaogang and Mr. WU Yong attended trainings that are relevant to the Directors' professional knowledge and skills and in performing their duties and responsibilities as Directors.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group that give a true and fair view of the state of affairs, results and cash flows of the Group and are in compliance with the relevant accounting standards and principles, applicable laws, disclosure provisions required of the GEM Listing Rules and disclosure requirement of Hong Kong Companies Ordinance. As at 31 December 2022, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the consolidated financial statements.

The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders of the Company. The independent auditor's report about their reporting responsibility on the consolidated financial statements of the Group is set out in the independent auditor's report on pages 44 to 49 of this annual report.

Whistle-blowing mechanism

A Whistle-blowing Policy has been set up to encourage and allow employees to raise concerns about possible improprieties in matters of financial reporting, compliance, and other malpractices at the earliest opportunity. The audit committee has overall responsibility for the policy and has delegated the day-today responsibility of overseeing and implementing such policy to the company secretary of the Company. If any employee believes reasonably and in good faith that malpractice exists in the workplace, he/she should report immediately to his/her immediate supervisor within the department. The supervisor should then forward the concerns by email to the company secretary upon receiving reports from employees. If necessary, employees may also take the complaint directly to the chairman of the audit committee. All reports are treated confidentially, and the Group makes every effort to keep the employee's identity confidential.

Anti-corruption

There are well established lines of authority and responsibility for implementing the Anti-Bribery and Anti-Corruption ("ABAC") Policy within the Group. Every employee has the responsibility to implement, enforce and maintain the ABAC mechanism that adequately address bribery and corruption risks and promote a culture of integrity in the Group. Regular trainings/reminders are provided/sent to the employees.

AUDITOR'S REMUNERATION

During the year, the remuneration, reviewed and approved by the Audit Committee on the audit and non-audit scope, paid or payable to the auditor in respect of audit services provided by the auditor of the Group, CCTH CPA Limited, were as follows:

Nature of services	**2022 Amount RMB'000**
Audit services for 2022 Annual Audit	**850**
Non-audit services	**693**

RISK MANAGEMENT AND INTERNAL CONTROL

The Company have established risk management systems with relevant policies and procedures for the business operations. The policies and procedures relate to managing procurement and production, as well as monitoring sales performance and product quality. The key risk management objectives include: (i) identifying the different risks relevant to the operations of the Company; (ii) assessing and prioritizing the identified risks; (iii) developing appropriate risk management strategies for different risks; (iv) monitoring and managing risks and the risk tolerance level; and (v) executing measures to respond to the risks.

The Board oversees and manages the risks associated with the business of the Group. The Company have established the Audit Committee to review and supervise the financial reporting process and internal control system.

In order to improve the corporate governance of the Company and to prevent the occurrence of non-compliance incidents in the future, the Company has adopted a series of internal control policies, procedures and programs designed to provide reasonable assurance for achieving objectives such as effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations.

During the year ended 31 December 2022, the Board had outsourced its internal audit function to an independent internal audit firm (the "Internal Auditor"). The Internal Auditor reports directly to the Audit Committee once a year on all internal audit matters. The Audit Committee reviewed the internal audit report and would monitor the implementation of the improvements required on internal control weaknesses identified.

Although the Group does not maintain an internal audit function, the Board has overall responsibility for the risk management and internal control systems for reviewing its effectiveness. In preparation for the Listing, an internal control consultant has been appointed to perform certain internal control review in relation to the Company's internal control policies respecting entity-level controls, compliance monitoring controls, financial and cash management procedures, recovery of trade receivables, procurement procedures, intellectual property protection, human resources management procedures, fixed asset management procedures and other general control measures, and a follow-up review was also carried out after the Company implemented the recommended remedial measures. The Audit Committee and the Board would review the risk management and internal control systems once annually. The Directors were satisfied that effective internal control measures as appropriate to the Group for the year ended 31 December 2022 were implemented properly and that no significant areas of weaknesses came into attention.

Please also refer to the section headed "Capital Structure" under "Management Discussion and Analysis" of this Annual Report. The Company has engaged professional party to review the internal control system and procedures of the Company regarding the issue of shares and receipt procedures following the late receipt of proceeds from the Share Subscription.

COMPANY SECRETARY

Company Secretary supports the Board by ensuring good information flow within the Board and that the Board policy and procedures are followed. The Company Secretary is responsible for advising the Board on the corporate governance matters and maintaining minutes recorded in sufficient details of all the meetings of the Board and committees of the Company. All Directors have access to the advice and services of the Company Secretary to ensure that the Board procedures and all applicable laws, rules and regulations, are followed.

The joint company secretary, Ms. Kwong Oi Man Patty confirmed that she has complied with all the qualifications, experience, and professional training requirements under the GEM Listing Rules.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provided an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting ("EGM").

Right to Convene EGMs and Procedures

Pursuant to article 58 of the Articles of Association, the Board, may whenever it thinks fit, convene an EGM. Any one or more members holding at the date of the deposit of the requisition not less than one tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, shall at all times have the right, by written requisition sent to the Company's principal place of business as set out in the manner below, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

Such requisition shall be made in writing to the Board or the Joint Company Secretaries of the Company at the following:

Principal place of business of the Company in the PRC

Address:	Eastside of Middle of Rongchi Road Xianqiao, Rongcheng, Jieyang Guangdong, the PRC
Attention:	Joint Company Secretaries
Email:	dx@dx128.com.hk/wwl@hongguang.hk

Registered office of the Company

Address:	Cricket Square, Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Attention:	Joint Company Secretaries

If within 21 days of deposit of such written requisition, the Board fails to proceed to convene such EGM, the requisitionist(s) themselves or any of them may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Right to Put Enquiries to the Board

For matters in relation to the Board, the shareholders may at any time send their enquiries and concerns to Board in writing, for the attention of the Joint Company Secretaries. Contact details are as follows:

Address:	Room 1202, 1204–06, 12th Floor, The Chinese Bank Building 61 Des Voeux Road Central Central, Hong Kong
Fax:	(852) 3020 6430/(86) 06638864681
Email:	dx@dx128.com.hk/wwl@hongguang.hk

Shareholders of the Company may also make enquiries with the Board at the general meetings of the Company.

Right to Put forward Proposals at General Meetings

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Companies Law (as revised) of the Cayman Islands, as amended, modified and supplemental from time to time. However, pursuant to the Articles of Association, shareholders who wish to move a resolution may by means of requisitions convene an EGM following the procedures set out above.

INVESTOR RELATIONS

On 11 December 2019, the Board adopted a shareholders' communication policy reflecting mostly the current practices of the Company for communication with its shareholders. Such policy aims to promote effective communication between the Company, shareholders and other stakeholders and enable shareholders to exercise their rights as shareholders effectively in an informed manner, in order to provide shareholders and other stakeholders (including potential investors) with timely, clear, balanced and accurate information about the Company, and to allow shareholders and other stakeholders to engage actively with the Company. The Company has established a number of channels for maintaining on-going dialogue with shareholders as follows:

(a) corporate communications such as annual reports, quarterly reports, interim reports and circulars are issued in printed form and are available on the websites of Stock Exchange and the Company;

(b) periodic announcements are made through the Stock Exchange and published on the websites of Stock Exchange and the Company;

(c) corporate information is made available on the Company's website;

(d) AGM and EGM provide a forum for shareholders to make comments and exchange views with the Directors and senior management; and

(e) the Company's share registrars serve shareholders in respect of share registration, dividend payment, change of shareholders' particulars and related matters.

The Board has reviewed the implementation and effectiveness of the Shareholders' Communication Policy including steps taken at the general meetings, the handling of queries received (if any) and the multiple channels of communication and engagement in place, and considered that the Shareholders' Communication Policy has been properly implemented during the year under review and is effective.

DIVIDEND POLICY

The Company has adopted a dividend policy on 31 March 2022 in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, among other things, the following factors:

(a) the Company's current and future operations, actual and expected financial performance;

(b) any corporate development plans;

(c) the Group's liquidity position, working capital and capital expenditure requirements and future expected capital needs;

(d) the level of the Group's debt to equity ratio, return on equity and the relevant financial covenants;

(e) any restrictions on payments of dividends that may be imposed by the Group's lenders or other third parties;

(f) retained earnings and distributable reserves of the Company and each of the members of the Group;

(g) general economic conditions, the business cycle of the Group's business and other internal and external factors that may have an impact on the business or financial performance and position of the Company; and

(h) any other factor that the Board deems appropriate and relevant.

The recommendation of the payment of dividend is subject to the determination of the Board, and, any declaration of final dividend for the year will be subject to the approval of the shareholders of the Company. The payment of dividend is also subject to any restrictions under the Companies Law of the Cayman Islands and any other applicable laws, rule and regulations and amended and restated memorandum and articles of association of the Company.

CONSTITUTIONAL DOCUMENTS

The amended and restated memorandum and articles of association of the Company were adopted on 11 December 2019 to comply with the relevant provisions of the GEM Listing Rules.

A copy of the memorandum and articles of association of the Company was posted on the websites of Stock Exchange and the Company.

There had been no changes in the memorandum and articles of association of the Company since the Listing Date to the date of publication of this annual report.

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2022.

CORPORATE REORGANISATION

The Company was incorporated in the Cayman Islands as exempted company with limited liability on 25 May 2017.

The Company completed the corporate reorganization (the "Reorganisation") on 11 July 2018 in preparation for the listing of the shares of the Company (the "Shares") on GEM of the Stock Exchange, pursuant to which the Company became the holding company of the companies now comprising the Group.

Details of the Reorganisation are set out in paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Group Structure" in the prospectus of the Company dated 31 December 2019 (the "Prospectus"). The Shares were listed on GEM of the Stock Exchange on 13 January 2020 by way of share offer (the "Listing").

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the Group are the manufacture and sales of architectural glass products in the People's Republic of China. The Company acts as an investment holding company. Further discussion and analysis of these activities as required by Schedule 5 of the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis set out on pages 5 to 10 of this annual report. This discussion forms part of this Directors' Report.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of profit or loss and other comprehensive income on page 50 of this annual report.

The Directors do not recommend the payment of final dividend for the year ended 31 December 2022 (2021: nil).

OUTLOOK AND PROSPECTS

The Group was listed on GEM of the Stock Exchange on 13 January 2020 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 m^2 in 2018 to 427 million m^2 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 m^2 in 2018 to 675,000 m^2 in 2023 and there will also be an upward trend of a similar scale in dimming glass sales volume. We 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.

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 year of 2020 and 2021, thus also triggering the slowdown of the development of the architectural glass industry. In the meanwhile, the PRC government has implemented a strong COVID-19 prevention and control policies. It was not until the fourth quarter of 2022 that the PRC government began to adjust its prevention and control policies and gradually relaxed controls nationwide.

The Group is continuously seeking acquisition or investment opportunities to enhance the value of China Hongguang, in order to enhance the Group's risk tolerance and its value, and continue to create new growth drivers for the Group.

SEGMENT INFORMATION

An analysis of the Group's performance for the year by operating segment is set out in note 4(b) to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

This information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	12.1%	–
Five largest customers in aggregate	41.7%	–
The largest supplier	–	22.6%
Five largest suppliers in aggregate	–	75.0%

None of the Directors of the Company, or any of their close associates or any other shareholders, which to the best knowledge of the Directors, owns more than 5% of the number of issued Shares, had any interests in the Group's five largest customers and suppliers during the year ended 31 December 2022.

CHARITABLE DONATIONS

The Group did not make any charitable donations during the year ended 31 December 2022 (2021: nil).

SUMMARY FINANCIAL INFORMATION

A summary of the published result and assets, liabilities of the Group for the last five financial years, as extracted from the consolidated financial statements, is set out on page 118. This summary does not form part of the consolidated financial statements.

SHARE CAPITAL

Details of movements in share capital of the Company during the year are set out in note 22 to the consolidated financial statements of this annual 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 year ended 31 December 2022.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company (the "Articles of Association") or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

DIRECTORS

The Directors during the year ended 31 December 2022 and up to the date of this annual report were:

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

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors has entered into a service contract on 11 December 2019 with the Company commencing from the Listing Date for a term of three years unless terminated by either party by giving at least three months' notice in writing to the other party.

Each of the Independent Non-Executive Directors has entered into a service contract on 11 December 2019 with the Company for an initial term of one year commencing on the Listing Date and shall continue for an additional term of one year upon expiry of the initial term unless terminated by either party by giving at least three months' notice in writing to the other party.

In accordance with articles 84(1) & 84(2) of the Articles of Association, Mr. WEI Jiakun, Ms. LIN Weishan, Ms. LI Wanna and Mr. WU Yong will retire by rotation and being eligible, will offer themselves for re-election at the forthcoming annual general meeting (the "AGM").

No Director proposed for re-election at the AGM has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

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

As at 31 December 2022, the interests or short positions of the Directors and chief executives in 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	249,750,000 (L)[2]	62.59%
Ms. LIN Weishan ("Ms. Lin")	Settlor of discretionary trust; Interest of spouse	249,750,000 (L)[2]	62.59%

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 year ended 31 December 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.

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

As at 31 December 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	249,750,000 (L)[2]	62.59%
Wei Family Limited	Interest in a controlled corporation	249,750,000 (L)[2]	62.59%
IQ EQ (BVI) Limited	Trustee of a trust	249,750,000 (L)[2]	62.59%
Mr. Wei	Settlor of a discretionary trust; Interest of spouse	249,750,000 (L)[2]	62.59%
Ms. Lin	Settlor of a discretionary trust; Interest of spouse	249,750,000 (L)[2]	62.59%
LIU Rong ("Ms. Liu")	Settlor of a discretionary trust	249,750,000 (L)[2]	62.59%
Orient Success Ventures Limited	Beneficial owner	37,500,000 (L)[3]	9.40%
WANG Yaqing	Interest in a controlled corporation	37,500,000 (L)[3]	9.40%
Power Solution International Holdings Limited	Beneficial owner	24,750,000 (L)[4]	6.20%
LI Wei	Interest in a controlled corporation	24,750,000 (L)[4]	6.20%

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

Details of the related party transactions entered into by the Group are set out in note 26 to the consolidated financial statements of this annual report. Such related party transactions do not fall under the definition of connected transaction or continuing connected transaction under Chapter 20 of the GEM Listing Rules.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

On 13 April 2021, the Company entered into the Equity Sale and Purchase Agreement with Ming Liang Global, the controlling shareholder of the Company, pursuant to which the Company has agreed conditionally to acquire, and Ming Liang Global has agreed conditionally to sell, the 100% of the issued share capital of a newly incorporated company which holds the entire equity interest in Guangdong Longjian Engineering Co., Ltd., at a consideration of HK$64,200,000 (the "Acquisition").

On 12 May 2022, the Company entered into Termination Agreement with Ming Liang Global, pursuant to which the Company and Ming Liang Global mutually agreed to terminate the Equity Sale and Purchase Agreement.

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.

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.

On 31 August 2022, the Company allotted and issued 99,000,000 ordinary shares at a price of HK$0.4 per share to Ming Liang Global and proceeds of the Share Subscription were received by the Group in October 2022.

For details of the Share Subscription, please refer to the announcements of the Company dated 17 May 2022 and 31 August 2022 and circular of the Company dated 27 June 2022.

Except as disclosed above, during the year, the Group has not entered into any connected transactions or continuing connected transactions that are not exempted under the GEM Listing Rules. The Board confirms that the Company has complied with the applicable disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

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

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 year ended 31 December 2022.

DEED OF NON-COMPETITION

In order to ensure that the controlling shareholders of the Company (the "Controlling Shareholders") will not engage in any business undertaking in competition with the Group in the future, on 30 December 2019, each of the Controlling Shareholders has entered into the Deed of Non-Competition in favor of the Company (for itself and as trustee for its subsidiaries from time to time) to the effect that each of them will not, and will procure each of their respective close associates not to, directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with the businesses of the Group.

Each of the Controlling Shareholders (the "Covenantors") has undertaken to the Company in the Deed of Non-Competition that he/she/it will, among others, at any time during the Relevant Period (as defined below):

(i) save for engaging in the Restricted Business (as defined below) through the Group, not, and will procure that his/her/its close associates (other than members of the Group) will not, directly or indirectly, carry on, invest, participate or engage in any business which competes or may compete, directly or indirectly, with the Restricted Business; and

(ii) promptly provide the Company with any relevant information in respect of any new business opportunity ("New Business Opportunity") within the PRC which competes or may compete with the Restricted Business or future business of the Group of which he/she/it or his/her/its close associates may have knowledge, for the Independent Non-Executive Directors to review and decide whether the Group shall take up such New Business Opportunity by considering, among other things, whether (a) such New Business Opportunity would constitute competition with the Restricted Business; and (b) it is in the interest of the Group to pursue such New Business Opportunity taking into account factors such as the nature of such New Business Opportunity and the estimated costs of investing in or acquiring such New Business Opportunity; and give the Company an option exercisable by the Company within 30 days upon receipt of the written notification of relevant information, to take up such New Business Opportunity; and he/she/it and/or his/her/its close associates may only take up such New Business Opportunity after the Independent Non-Executive Directors have separately reviewed and decided that the Group should decline such New Business Opportunity.

For the above purposes:

(i) "Restricted Business" means the business engaged by the Group in the PRC from time to time including the manufacture, sale and research and development of architectural glass products; and

(ii) "Relevant Period" means the period commencing from the Listing Date and expiring on the earlier of the dates below:

(a) the date on which the Shares cease to be listed on the Stock Exchange;

(b) the date on which the Covenantors and their respective close associates, taken together, whether directly or indirectly, cease to be the Controlling Shareholders for the purpose of the GEM Listing Rules; and

(c) the date on which the Company ceases to engage in the Restricted Business.

Further details of the Deed of Non-Competition are set out in the section headed "Relationship with Controlling Shareholders" of the Prospectus.

The Independent Non-Executive Directors of the Company had reviewed the status of compliance as well as confirmation by the Controlling Shareholders and, on the basis of such confirmation, are of the view that such Controlling Shareholders have complied with their non-competition undertakings under the Deed of Non-Competition and these non-competition undertakings have been enforced by the Company in accordance with its terms.

COMPETITION AND CONFLICT OF INTERESTS

During the year, save as disclosed in the Prospectus, none of the Directors or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the businesses of the Group or has any other conflict of interests with the Group.

PERMITTED INDEMNITY PROVISION

A directors and officers liability insurance is currently in place to protect the Directors against potential costs and liabilities arising from claims brought against the Directors.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Except for the Acquisition as disclosed in above section headed "CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION", 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 year ended 31 December 2022.

CONTRACT OF SIGNIFICANCE

Except for the Acquisition and the Share Subscription as disclosed in above section headed "CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION", no transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director or an entity connected with a director had a material interest, either directly or indirectly subsisted at the end of the year or at any time during the year.

CONTRACT OF SIGNIFICANCE FOR THE PROVISION OF SERVICES

No contract of significance for the provision of services was entered into between the Company or any of its subsidiaries and a Controlling Shareholder or any of its subsidiaries.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were into or existed during the year.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group recognizes the importance of environmental protection and has adopted stringent measures for environmental protection in order to ensure compliance of prevailing environmental protection laws and regulations.

The Group has adopted environmental protection measures and established a team led by Mr. CHEN Biming, an Executive Director of the Company primarily in charge of human resources of the Group, who is responsible for monitoring the implementation of environmental protection measures by means of: (a) supervising the safe placement of glass fragments to be recycled by suppliers; (b) supervising the cleaning of sedimentation ponds and the collecting of glass powder to be recycled by suppliers; and (c) reviewing the daily record and monitoring the volume of waste water discharged during the production process.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognizes the importance of compliance with regulatory requirements and the risk of non-compliance with such requirements could lead to the termination of operating licences. The Group has been allocating system and staff resources to ensure ongoing compliance with rules and regulations and to maintain cordial working relationships with relevant authorities effectively through effective communications.

The Group also complies with the requirements under the Companies Ordinance, the GEM Listing Rules and the SFO for the disclosure of information and corporate governance.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group recognizes the accomplishment of the employees by providing comprehensive benefit package, career development opportunities and internal training appropriate to individual needs. The Group provides a healthy and safe workplace for all employees. No strikes and cases of fatality due to workplace accidents are found in the year under review.

The Group encompasses working relationships with suppliers to meet our customers' needs in an effective and efficient manner. The departments work closely to make sure the tendering and procurement process is conducted in an open, fair and just manner. The Group's requirements and standards are also well-communicated to suppliers before the commencement of a project.

The Group values the views and opinions of all customers through various means and channels to understand customer trends and needs and regular discuss on customer feedback. The Group also conducts comprehensive tests and checks to ensure that only quality products and services are offered to the customers.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 December 2022 are set out in note 18 and note 19 to the consolidated financial statements.

FIVE YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 118 of this annual report.

SHARE OPTION SCHEME

The Company did not have share option scheme as at 31 December 2022.

DEBENTURE

No debenture was issued by the Company during the year ended 31 December 2022.

EQUITY-LINKED AGREEMENT

On 13 April 2021, the Company entered into the Equity Sale and Purchase Agreement with Ming Liang Global, pursuant to which the Company has agreed conditionally to acquire, and Ming Liang Global has agreed conditionally to sell, the 100% of the issued share capital of a newly incorporated company which holds the entire equity interest in Guangdong Longjian Engineering Co., Ltd., at a consideration of HK$64,200,000. The consideration shall be settled by way of (i) issue and allotment of 99,000,000 consideration shares issued at an issue price of HK$0.32 per consideration share, such that the total value of the consideration shares will be HK$31,680,000, and (ii) issuance of convertible bonds in the principal amount of HK$32,520,000.

On 12 May 2022, the Company entered into Termination Agreement with Ming Liang Global, pursuant to which the Company and Ming Liang Global mutually agreed to terminate the Equity Sale and Purchase Agreement.

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.

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.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to the shareholders by reason of their holding of the Shares.

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 31 December 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 31 December 2022**	**Unutilised net proceeds as at 31 December 2022**
		HK$'000	RMB'000	RMB'000	RMB'000
Upgrade the Group's existing production facilities	51.0%	9,800	8,741	8,741	–
Repay the Group's bank loan	10.9%	2,100	1,873	1,873	–
Enhance the Group's research and development capabilities	13.0%	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	14.6%	2,800	2,497	2,497	–
Expand the Group's sales and marketing coverage	5.7%	1,100	981	–	981
Provide funding for the Group's working capital and other general corporate purposes	4.8%	900	803	803	–
	100%	19,200	17,125	16,144	981

As at 31 December 2022, RMB981 thousand of the proceeds remain unutilised. 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 expanding the Group's sales and marketing coverage. It was not until the fourth quarter of 2022 that the PRC government began to adjust its prevention and control policies and gradually relaxed controls nationwide. Thus, the risk factor of COVID-19 has been not significant. Based on the best estimation of the future market conditions, the Company intends to apply the unutilised net proceeds at the beginning of year 2023 and expects unutilised net proceeds to be fully utilized on or before 31 December 2023.

DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Group for the year ended 31 December 2022 are set out in the consolidated statement of changes in equity on page 53.

The Company's reserves available for distribution to the shareholders as at 31 December 2022 amounted to RMB52,894,000.

PROPERTIES

Particulars of the major properties and property interests of the Group are shown on note 12 to the consolidated financial statements.

RETIREMENT SCHEMES

Particulars of retirement schemes are set out in note 2 to the consolidated financial statements.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the Independent Non-Executive Directors an annual conformation of independence pursuant to Rule 5.09 of the GEM Listing Rules and, based on contents of such confirmation, considers all the Independent Non-Executive Directors to be independent and that they have met the specific independence guidelines as set out in Rule 5.09 of the GEM Listing Rules.

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 annual report.

CORPORATE GOVERNANCE

Details of the corporate governance practices adopted by the Company are set out on pages 15 to 28 of this annual report.

REVIEW BY THE AUDIT COMMITTEE

The audited consolidated financial statements of the Group for the year ended 31 December 2022 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the audited consolidated financial statements of the Group for the year ended 31 December 2022 have been prepared in compliance with the applicable accounting standards and the GEM Listing Rules and that adequate disclosures have been made.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this report, the Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2022 and up to the date of this annual report.

AUDITOR

CCTH CPA Limited has been appointed as auditor of the Company for the year ended 31 December 2022.

CCTH CPA Limited shall retire in the AGM and, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment of CCTH CPA Limited as auditor of the Company will be proposed at the AGM.

On behalf of the Board
LIN Weishan
Chairwoman and Executive Director

Hong Kong, 31 March 2023

* For identification purpose only

INDEPENDENT AUDITOR'S REPORT

CCTH CPA LIMITED
中正天恆會計師有限公司

To the shareholders of
China Hongguang Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Hongguang Holdings Limited ("the Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 50 to 117, which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of inventories

Refer to note 14 to the consolidated financial statements and the accounting policies on page 75 (note 2(j)).

Key Audit Matter	How the matter was addressed in our audit
Inventories are carried at the lower of cost and net realisable value in the consolidated financial statements. The cost of inventories includes the purchase costs of raw materials and the conversion costs incurred during the production process, including an allocation of production overheads. At 31 December 2022, the carrying amount of inventories was RMB165 million. Management determines the net realisable value of inventories by considering the ageing profile, inventory obsolescence and the subsequent selling price of individual inventory item. We identified the accounting recognition of inventories as a key audit matter because the Group held significant inventories at the reporting date and because management is required to exercise significant estimation in determining the net realisable value of inventories.	Our audit procedures regarding the accounting recognition of inventories included the following: • We obtained an understanding of and assessing the design, implementation and operating effectiveness of key internal controls relating to valuation of inventories; • We compared, on a sample basis, the purchase prices and quantities of inventories recorded by the Group with supplier invoices; • We made enquiry with management of the Group regarding the key assumptions concerning the absorption of overheads into the cost of production, tested and evaluated the appropriateness of overhead costs included in the overhead absorption calculations; • We assessed, on a sample basis, the accuracy of the ageing profile of raw materials and finished goods included in inventories at the financial year end by checking the goods receipt notes and the finished goods records respectively; and • We compared, on a sample basis, the selling price of the finished goods subsequent to the reporting date to costs of these inventories as at the financial year end.

Expected credit losses allowances for trade receivables

Refer to note 15 to the consolidated financial statements and the accounting policies on pages 70 to 75 (note 2(i)).

Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2022, the Group's gross trade receivables amounted to RMB139 million, against which a loss allowance of RMB14 million for expected credit losses ("ECLs") was recorded. The Group's trade receivables mainly arose from sales of glass products. Management measures the loss allowance at an amount equal to lifetime ECLs based on estimated loss rates for each category of receivables. The estimated loss rates take into account the aged analysis of trade receivable balances, the repayment history of the Group's customers of different risk characteristics, current market conditions, and forward-looking information. Such assessment involves significant management judgement and estimation. We identified the ECLs allowance for trade receivables as a key audit matter because determining the level of the loss allowance requires the exercise of significant management judgement which is inherently subjective.	Our audit procedures to assess the ECLs allowance for trade receivables included the following: • We obtained an understanding of and assessed the design, implementation and operating effectiveness of key internal controls relating to credit control, debt collection and estimating the credit loss allowance; • We obtained an understanding of the key parameters and assumptions of the expected credit losses model adopted by the management, including the basis of segmentation of the trade receivable based on credit risk characteristics of customers, the historical default data in management's estimated loss rates, and related forward-looking information; • We assessed whether items were correctly categorised in the trade receivables ageing report by comparing individual items therein with sales invoices and other relevant underlying documentation, on a sample basis; • We assessed the appropriateness of management's estimates of loss allowance by examining the information used by management to derive such estimates, including assessing the reasonableness of management's use of the historical default data and evaluating whether the historical loss rates are appropriately adjusted based on current market conditions and forward-looking information; and • We re-performed the calculation of the loss allowance as at 31 December 2022 based on the Group's credit loss allowance policies.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

CCTH CPA Limited
Certified Public Accountants
Hong Kong, 31 March 2023

Kenneth Yee Lai Chan
Practising certificate number: P02095

Unit 1510–1517, 15/F, Tower 2,
Kowloon Commerce Centre,
No. 51 Kwai Cheong Road,
Kwai Chung, New Territories,
Hong Kong

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022
(Expressed in Renminbi Yuan)

	NOTES	2022 RMB'000	2021 RMB'000
Revenue	4	**208,656**	203,074
Cost of sales		**(143,485)**	(145,570)
Gross profit		**65,171**	57,504
Other net income	5	**3,244**	3,137
Sales and marketing expenses		**(304)**	(159)
General and administrative expenses		**(24,323)**	(13,823)
Profit from operations		**43,788**	46,659
Finance costs	6(a)	**(4,399)**	(3,071)
Profit before income tax	6	**39,389**	43,588
Income tax expense	7(a)	**(4,829)**	(4,588)
Profit for the year		**34,560**	39,000
Other comprehensive income/(loss):			
Item that will not be reclassified to profit or loss:			
Exchange differences on translation of financial statements of the Company		**2,321**	(795)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries outside mainland China		**(2,691)**	652
Other comprehensive loss for the year, net of tax		**(370)**	(143)
Total comprehensive income for the year		**34,190**	38,857

		2022 RMB	2021 RMB
Earnings per share	10		
Basic		**0.10**	0.13
Diluted		**N/A**	N/A

The accompanying notes on pages 56 to 117 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022
(Expressed in Renminbi Yuan)

	NOTES	**31 December 2022 RMB'000**	31 December 2021 RMB'000
Non-current assets			
Property, plant and equipment	12	**42,362**	51,054
Right-of-use assets	13	**1,445**	1,501
Deferred tax assets	20(b)	**3,106**	2,605
Other receivables	15	**950**	1,400
		47,863	56,560
Current assets			
Inventories	14	**165,495**	116,324
Trade and other receivables	15	**180,757**	138,146
Cash and cash equivalents	16(a)	**13,268**	12,930
		359,520	267,400
Current liabilities			
Trade and other payables	17	**38,849**	56,274
Bank loans	18	**61,500**	39,000
Other borrowings	19	**11,459**	8,788
Income tax payable	20(a)	**13,639**	8,619
		125,447	112,681
Net current assets		**234,073**	154,719
Total assets less current liabilities		**281,936**	211,279
Non-current liabilities			
Bank loans	18	**–**	3,500
Other borrowings	19	**8,284**	1,906
Deferred revenue	21	**4,336**	5,296
		12,620	10,702
NET ASSETS		**269,316**	200,577

	NOTES	**31 December 2022 RMB'000**	31 December 2021 RMB'000
EQUITY			
Share capital	22(b)	**3,564**	2,693
Reserves	22	**265,752**	197,884
TOTAL EQUITY		**269,316**	200,577

The consolidated financial statements on pages 50 to 117 were approved and authorised for issue by the board of directors on 31 March 2023 and are signed on its behalf by:

	)	
Wei Jiakun	)	
	)	*Directors*
Lin Weishan	)	
	)	

The accompanying notes on pages 56 to 117 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022
(Expressed in Renminbi Yuan)

		Attributable to owners of the Company						
	NOTE	Share capital RMB'000 (note 22)	Share premium RMB'000 (note 22)	Capital reserve RMB'000 (note 22)	PRC statutory reserve RMB'000 (note 22)	Exchange reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2021		2,693	49,892	(202)	4,377	(621)	105,581	161,720
Changes in equity for 2021:								
Profit for the year		–	–	–	–	–	39,000	39,000
Other comprehensive loss		–	–	–	–	(143)	–	(143)
Total comprehensive income		–	–	–	–	(143)	39,000	38,857
Transferred to statutory reserve		–	–	–	4,037	–	(4,037)	–
Balance at 31 December 2021 and 1 January 2022		**2,693**	**49,892**	**(202)**	**8,414**	**(764)**	**140,544**	**200,577**
Changes in equity for 2022:								
Profit for the year		**–**	**–**	**–**	**–**	**–**	**34,560**	**34,560**
Other comprehensive loss		**–**	**–**	**–**	**–**	**(370)**	**–**	**(370)**
Total comprehensive income		**–**	**–**	**–**	**–**	**(370)**	**34,560**	**34,190**
Transferred to statutory reserve		**–**	**–**	**–**	**4,003**	**–**	**(4,003)**	**–**
Issue of shares	22(b)	**871**	**33,986**	**–**	**–**	**–**	**–**	**34,857**
Share issuing expenses		**–**	**(308)**	**–**	**–**	**–**	**–**	**(308)**
Balance at 31 December 2022		**3,564**	**83,570**	**(202)**	**12,417**	**(1,134)**	**171,101**	**269,316**

The accompanying notes on pages 56 to 117 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022
(Expressed in Renminbi Yuan)

	2022		2021	
	RMB'000	**RMB'000**	RMB'000	RMB'000
Operating activities				
Profit before income tax	**39,389**		43,588	
Adjustments for:				
Depreciation of property, plant and equipment	**9,594**		7,660	
Depreciation of right-of-use assets	**56**		81	
Finance costs	**4,399**		3,071	
Interest income	**(12)**		(6)	
Government grants recognised in profit or loss	**(960)**		(959)	
Changes in working capital:				
Increase in inventories	**(49,171)**		(37,073)	
Increase in trade and other receivables	**(42,161)**		(35,266)	
(Decrease)/increase in trade and other payables	**(17,795)**		37,503	
Cash (used in)/generated from operations	**(56,661)**		18,599	
Tax paid	**(310)**		(3,493)	
Net cash (used in)/generated from operating activities		**(56,971)**		15,106
Investing activities				
Payment for purchase of property, plant and equipment	**(902)**		(10,308)	
Proceeds from disposal of property, plant and equipment	**–**		–	
Interest received	**12**		6	
Net cash used in investing activities		**(890)**		(10,302)

	NOTES	**2022** **RMB'000**	**RMB'000**	2021 RMB'000	RMB'000
Financing activities					
Proceeds from new bank loans	16(b)	**58,000**		38,000	
Repayment of bank loans	16(b)	**(39,000)**		(39,500)	
Proceeds from new other borrowings	16(b)	**31,137**		19,280	
Repayment of other borrowings	16(b)	**(22,088)**		(8,586)	
Proceeds from issuance of shares	22(a)	**34,857**		–	
Share issuing expenses		**(308)**		–	
Interest paid	16(b)	**(4,399)**		(3,071)	
Net cash generated from financing activities			**58,199**		6,123
Net increase in cash and cash equivalents			**338**		10,927
Cash and cash equivalents at 1 January			**12,930**		2,003
Cash and cash equivalents at 31 December	16(a)		**13,268**		12,930
Analysis of cash and cash equivalents at the end of the year					
Cash and bank balances			**13,268**		12,930

The accompanying notes on pages 56 to 117 form an integral part of these consolidated financial statements.

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 Act (As Revised) of the Cayman Islands. The Company's shares are listed on 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 and 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 and Eastside of Middle of Rongchi Road, Xianqiao, Rongcheng, Jieyang, Guangdong, the PRC.

The Company is an investment holding company and the principal activities of its subsidiaries are manufacturing and sales of architectural glass products in the People's Republic of China ("PRC"). Particulars of the Group's subsidiaries are set out in note 24 to the consolidated financial statements.

The directors consider the immediate holding company of the Company to be Ming Liang Global Limited ("Ming Liang Global"), which is incorporated in the British Virgin Islands.

The entire issued share capital of Ming Liang Global 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 the directors of the Company, Mr. Wei Jiakun, Ms. Lin Weishan (the spouse of Mr. Wei Jiakun), and Ms. Liu Rong (the mother of Mr. Wei Jiakun) as the settlors and the beneficiaries of The Wei Family Trust include Mr. Wei Jiakun, Ms. Lin Weishan, Ms. Liu Rong and certain family members of Mr. Wei Jiakun. Accordingly, the directors also consider that Mr. Wei Jiakun, Ms. Lin Weishan and Ms. Liu Rong, being collectively, are ultimate controlling parties of the Company.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated 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 ("GEM Listing Rules"). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective for the current accounting period of the Group, details of which are set out in Note 2(c). None of these amendments to HKFRSs have had a material effect on the Group's financial statements for the current or prior accounting periods.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of consolidated financial statements

The consolidated financial statements for the year ended 31 December 2022 include the financial statements of the Company and its subsidiaries.

Items included in the 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 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 consolidated financial statements is the historical cost basis.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with HKFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of consolidated financial statements *(Continued)*

The preparation of 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.

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 3 to the consolidated financial statements.

(c) Application of amendments to Hong Kong Financial Reporting Standards ("HKFRS")

(i) Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The application of the other amendments to HKFRSs effective in respect of the current year had no material impact on the Group's financial positions and financial performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(Expressed in Renminbi Yuan)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Application of amendments to Hong Kong Financial Reporting Standards ("HKFRS") *(Continued)*

(ii) New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

[1] Effective for annual periods beginning on or after 1 January 2023.
[2] Effective for annual periods beginning or after a date to be determined.
[3] Effective for annual periods beginning on or 1 January 2024.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of these new and amendments to HKFRSs, which are not yet effective, will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Application of amendments to Hong Kong Financial Reporting Standards ("HKFRS") *(Continued)*

(ii) New and amendments to HKFRSs in issue but not yet effective (Continued)

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies (Continued)

HKFRS Practice Statement 2 Making Materiality Judgements (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to HKAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

The results of a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less any identified impairment losses (see note 2(i)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Business combinations or asset acquisitions

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Business combinations or asset acquisitions *(Continued)*

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses, other than business combination under common control, are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

For business combinations in which the acquisition date is on or after 1 January 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the "Conceptual Framework") except for transactions and events within the scope of HKAS 37 or HK(IFRIC)-Int 21, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Business combinations or asset acquisitions *(Continued)*

Business combinations *(Continued)*

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after reassessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Business combinations or asset acquisitions *(Continued)*

Business combinations *(Continued)*

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated in the consolidated statements of financial position at cost less accumulated depreciation and any identified impairment losses (see note 2(i)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(v)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment (other than construction in progress), less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Plant and buildings	5–20 years
Machinery and equipment	2–10 years
Office and other equipment	3–10 years
Leasehold improvement	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is stated at cost less any identified impairment losses (see note 2(i)(ii)).

Capitalisation of construction in progress costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are completed.

No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases of equipment that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with those leases which are not capitalised are recognised as an expense on a straight-line basis over the lease term.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Leases *(Continued)*

As a lessee *(Continued)*

Lease payments included in the measurement of the lease liability comprise the following:

– fixed payments, including in-substance fixed payments;

– variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

– amounts expected to be payable under a residual value guarantee; and

– the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

After initial recognition, the lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform, the Group applies the practical expedient to remeasure the lease liabilities by discounting the revised lease payments using the unchanged discount rate and makes a corresponding adjustment to the related right-of-use assets. A lease modification is required by interest rate benchmark reform if, and only if, both of these conditions are met:

- the modification is necessary as a direct consequence of interest rate benchmark reform; and

- the new basis for determining the lease payments is economically equivalent to the previous basis (i.e. the basis immediately preceding the modification).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Leases *(Continued)*

As a lessee *(Continued)*

Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the COVID-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 2(t)(ii).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Leases *(Continued)*

Sale and leaseback transactions

The Group applies the requirements of HKFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Group.

The Group as a seller-lessee

For a transfer that does not satisfy the requirements as a sale, the Group as a seller-lessee continues to recognise the assets and accounts for the transfer proceeds as other borrowings within the scope of HKFRS 9.

(i) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

The Group recognises a loss allowance for expected credit losses ("ECLs") on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade receivables and other receivables); and

– contract assets as defined in HKFRS 15 (see note 2(k)).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments and contract assets (Continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments and contract assets (Continued)

Significant increase in credit risk

In assessing whether the credit risk of a financial instrument is increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments and contract assets (Continued)

Basis of calculation of interest income

Interest income recognised in accordance with note 2(t)(iii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

Credit impairment

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Credit losses and impairment of assets *(Continued)*

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- right-of-use asset; and
- investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

- *Calculation of recoverable amount*

  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- *Recognition of impairment losses*

  An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Credit losses and impairment of assets *(Continued)*

(ii) Impairment of other non-current assets *(Continued)*

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(j) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2(t)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(i)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 2(l)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2(t)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(l)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

(l) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 2(k)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(i)(i)).

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(i)(i).

(n) Trade and other payables

Trade and other payables are initially recognised at fair value, and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 2(v)).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit or loss in respect of the period as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute certain percentages of their payroll costs to the central pension scheme. The contributions are charged to the profit or loss in respect of the period as they become payable in accordance with the rules of the central pension scheme.

(q) Research and development

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses. Other development expenditure is recognised as an expense in the period in which it is incurred.

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Income tax *(Continued)*

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Revenue and other income *(Continued)*

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sale of glass products

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the control of goods and services transferred under the contract on a relative stand-alone selling price basis.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(iii) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(i)(i)).

(iv) Government grants

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised initially as deferred income and amortised as income in the profit or loss on a straight-line basis over the useful life of the related asset.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker ("CODM") being the most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION

In the application of the Group's accounting policies, which are described in note 2, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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.

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgement:

(i) Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgement on the future tax treatment of certain transactions. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised in respect of deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilized, management's judgement is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION

(Continued)

(b) Sources of estimation uncertainty

Key sources of estimation uncertainty are as follows:

(i) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and distribution expenses. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to changes in market conditions. Management reassesses these estimations at the end of the reporting period to ensure inventories are recognised at the lower of cost and net realisable value.

(ii) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives after taking into account their estimated residual values. The determination of the useful lives involves management's estimation. The Group assesses annually the useful lives of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation charges for the future years.

(iii) Impairment of property, plant and equipment and right-of-use assets

Management of the Group determines on a regular basis whether there are any indications that the property, plant and equipment and right-of-use assets are impaired. Impairment loss for property, plant and equipment and right-of-use assets are recognised when the carrying amounts of each of the assets exceed their respective recoverable amounts, which are determined based on the higher of fair value less costs of disposal and value in use. The fair values of property, plant and equipment and right-of-use assets are estimated by reference to their expected selling prices which are affected by various factors, including market conditions and the technological occurrence. The value in use calculation requires the use of estimates such as the future revenue and discount rates. If the recoverable amounts of property, plant and equipment and right-of-use assets are estimated to be less than their respective carrying amounts, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognised in profit or loss in respect of the period. As at 31 December 2022, the carrying amounts of property, plant and equipment and right-of-use assets are approximately RMB42,362,000 (2021: RMB51,054,000) and RMB1,445,000 (2021: RMB1,501,000) respectively. No impairment loss of property, plant and equipment and right-of-use assets has been recognised in respect of the current and prior years.

(iv) Provision for expected credit losses of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision matrix is based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated by taking into account the ageing of trade receivable balances, the repayment history of the Group's individual customers, current market conditions and customer-specific conditions, all of which involve a significant degree of management judgement. The provision of ECLs is sensitive to changes in circumstances and of customer-specific conditions. The information about the ECLs and trade receivables are disclosed in notes 15 and 23(a). If the financial condition of the customers was to deteriorate, actual loss allowance would be higher than estimated.

4 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.

(i) Disaggregation of revenue

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

	2022 **RMB'000**	2021 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	**205,782**	182,986
– Sales of smart glass products	**2,874**	20,088
	208,656	203,074

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

Revenue from the sales of glass products to customers in the PRC contributing 10% or more of the total revenue of the Group are as follows:

	2022 **RMB'000**	2021 RMB'000
Customer A	**25,330**	36,478

(ii) Performance obligations for contracts with customers

The Group sells glass products directly to customers. Revenue is recognised when control of the glass products has transferred, being when the goods have been transported to the customer's specific location. Transportation and handling activities that occur before customers obtain control are considered as fulfilment activities. The group has not provided any warranty, obligations for returns and refunds for sales of glass products. The normal credit term is 60 to 180 days upon delivery.

4 REVENUE AND SEGMENT REPORTING *(Continued)*

(a) Revenue *(Continued)*

(iii) 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 CODM 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.

(c) Geographical information

The Group is located in the PRC and all of the Group's revenue is generated from contracts with customers in the PRC based on the place of establishment of the customers, and all of the Group's non-current assets are located in the PRC. Thus, no geographical information is presented.

5 OTHER NET INCOME

	2022	2021
	RMB'000	RMB'000
Interest income	**12**	6
Government grants (note)	**2,901**	2,158
Rentals from operating leases	**314**	314
Impairment loss on trade receivables reversed, net	**–**	425
Others	**17**	234
	3,244	3,137

Note: Government grants mainly includes: (a) government grants of which their conditions have been fulfilled by the Group up to end of the reporting periods; (b) deferred revenue recognised in profit or loss on a systematic basis over the useful lives of the assets relative to the government grants received.

6 PROFIT BEFORE INCOME TAX

Profit before taxation is arrived at after charging:

(a) Finance costs

	2022	2021
	RMB'000	RMB'000
Interest on bank loans	**1,756**	2,023
Interest on other borrowings	**2,643**	1,048
Total interest expenses on financial liabilities not at fair value through profit or loss	**4,399**	3,071

(b) Staff costs

	2022	2021
	RMB'000	RMB'000
Contributions to defined contribution retirement plan (note)	**1,015**	994
Salaries, wages and other benefits	**4,307**	4,611
Total staff costs (including directors' emoluments (note 8))	**5,322**	5,605

Note: Employees of the Group's PRC subsidiary are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's PRC subsidiary contributes funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

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

6 PROFIT BEFORE INCOME TAX *(Continued)*

(c) Other items

	2022 RMB'000	2021 RMB'000
Depreciation of property, plant and equipment	**9,594**	7,660
Depreciation of right-of-use assets	**56**	81
Impairment losses on trade and other receivable recognised	**4,301**	–
Auditor's remuneration		
– Audit services	**850**	838
– Non-audit services	**693**	145
Research and development costs (note)	**11,009**	9,011
Cost of inventories (note 14)	**143,485**	145,570

Note: Research and development costs included staff costs of RMB606,000 and RMB508,000, and depreciation of RMB3,543,000 and RMB1,983,000, for the years ended 31 December 2022 and 2021, which are also included in the respective total amounts disclosed separately above or in note 6(b).

7 INCOME TAX EXPENSE

(a) Income tax expense in the consolidated statement of profit or loss represents:

	2022 RMB'000	2021 RMB'000
Current tax		
Provision for PRC income tax for the year	**5,712**	5,393
Over-provision for PRC income tax in prior years	**(382)**	(2,139)
	5,330	3,254
Deferred tax		
(Reversal)/provision of temporary differences (note 20(b))	**(501)**	1,334
	(501)	1,334
	4,829	4,588

7 INCOME TAX EXPENSE *(Continued)*

(b) The income tax expense can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	NOTES	**2022** **RMB'000**	2021 RMB'000
Profit before income tax		**39,389**	43,588
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdiction concerned		**11,195**	11,245
Tax effect of non-deductible expenses		**1,093**	4
Tax effect of preferential tax rate	(iii)	**(3,808)**	(3,596)
Tax effect of non-taxable income		**–**	(7)
Additional deduction for qualified research and development expenses	(iv)	**(2,788)**	(2,253)
Tax effect of temporary difference		**(501)**	1,334
Tax effect of tax loss not allowable		**20**	–
Tax over-provision in prior years		**(382)**	(2,139)
Income tax expense		**4,829**	4,588

(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 Corporate Income Tax ("CIT") Law and its regulations. In December 2020, the Company renewed its certificate for another three years from December 2020 to December 2023.

(iv) Under the CIT Law of the PRC and its relevant regulation, an additional 100% (2021: 100%) tax deduction is allowed for qualified research and development expenses actually incurred.

8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

For the year ended 31 December 2022

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Contributions to retirement benefit schemes RMB'000	Total RMB'000
Executive directors				
Ms. Lin Weishan	**–**	**96**	**21**	**117**
Mr. Wei Jiakun	**–**	**144**	**32**	**176**
Mr. Chen Biming	**–**	**60**	**13**	**73**
Ms. Li Wanna	**–**	**60**	**13**	**73**
Independent non-executive directors				
Ms. Chen Xiuyan	**104**	**–**	**–**	**104**
Mr. Jia Xiaogang	**104**	**–**	**–**	**104**
Mr. Wu Yong	**104**	**–**	**–**	**104**
	312	**360**	**79**	**751**

For the year ended 31 December 2021

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Contributions to retirement benefit schemes RMB'000	Total RMB'000
Executive directors				
Ms. Lin Weishan	–	96	21	117
Mr. Wei Jiakun	–	144	31	175
Mr. Chen Biming	–	60	13	73
Ms. Li Wanna	–	60	13	73
Independent non-executive directors				
Ms. Chen Xiuyan	99	–	–	99
Mr. Jia Xiaogang	99	–	–	99
Mr. Wu Yong	99	–	–	99
	297	360	78	735

Ms. Chen Xiuyan, Mr. Jia Xiaogang and Mr. Wu Yong were appointed as independent non-executive directors of the Company in January 2020.

No directors of the Company waived or agreed to waive any remuneration during the year (2021: nil).

During the year, there was no amount paid or payable by the Group to the directors or any of the five highest paid individuals set out in note 9 below as an inducement to join or upon joining the Group or as compensation for loss of office.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five individuals with the highest emoluments, three (2021: three) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other two (2021: two) highest employees (other than directors) are as follows:

	2022 **RMB'000**	2021 RMB'000
Salaries and other emoluments	**192**	196
Retirement scheme contributions	**43**	41
	235	237

The emoluments of the two (2021: two) individuals with the highest emoluments are within the following bands:

	2022 **Number of individuals**	2021 Number of individuals
HK$Nil – HK$1,000,000	**2**	2

10 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:

	2022 **RMB'000**	2021 RMB'000
Earnings		
Profit for the year attributable to owners of the Company	**34,560**	39,000

	2022 **'000**	2021 '000
Number of shares		
Weighted average number of ordinary shares in issue during the year	**333,362**	300,000

(b) Diluted earnings per share

No diluted earnings per share for both of the years ended 31 December 2022 and 2021 is presented as there were no potential ordinary shares in issue for both of the years ended 31 December 2022 and 2021.

11 DIVIDENDS

The directors of the Company do not recommend any payment of a dividend in respect of the year ended 31 December 2022 (2021: Nil).

12 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement RMB'000	Plant and buildings RMB'000	Machinery and equipment RMB'000	Office and other equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
At 1 January 2021	–	7,128	72,927	5,826	9,293	95,174
Additions	–	–	5,310	–	4,998	10,308
Transfer	–	–	11,080	–	(11,080)	–
At 31 December 2021 and 1 January 2022	–	7,128	89,317	5,826	3,211	105,482
Additions	–	–	32	870	–	902
Transfers	3,211	–	–	–	(3,211)	–
At 31 December 2022	3,211	7,128	89,349	6,696	–	106,384
Accumulated depreciation:						
At 1 January 2021	–	5,616	37,050	4,102	–	46,768
Charge for the year	–	197	6,984	479	–	7,660
At 31 December 2021 and 1 January 2022	–	5,813	44,034	4,581	–	54,428
Charge for the year	612	187	8,464	331	–	9,594
At 31 December 2022	612	6,000	52,498	4,912	–	64,022
Net book value:						
At 31 December 2022	2,599	1,128	36,851	1,784	–	42,362
At 31 December 2021	–	1,315	45,283	1,245	3,211	51,054

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

At the end of the reporting period, property, plant and equipment with net book value of RMB87,000 (2021: RMB87,000) were pledged as security for bank loans amounting to RMB37,200,000 (2021: RMB20,000,000) as at 31 December 2022.

At the end of the reporting period, property, plant and equipment with net book value of RMB33,700,000 (2021: 22,800,000) were held by the Group under sale and leaseback arrangement (Note 19).

The Group has not obtained property ownership certificates for certain plant and buildings with net book value of RMB101,000 (2021: RMB101,000) as at 31 December 2022.

13 RIGHT-OF-USE ASSETS

	Land use right RMB'000
Cost:	
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	4,058
Accumulated depreciation:	
At 1 January 2021	2,476
Charge for the year	81
At 31 December 2021	2,557
At 1 January 2022	2,557
Charge for the year	56
At 31 December 2022	2,613
Net book value:	
At 31 December 2022	1,445
At 31 December 2021	1,501

Right-of-use assets represent costs for obtaining the right to use PRC leasehold land for 22–50 years.

The Group has not obtained title owner certificates for land use rights with net book value of RMB996,000 (2021: RMB1,036,000) as at 31 December 2022.

14 INVENTORIES

	2022 RMB'000	2021 RMB'000
Inventories		
Glass manufacturing		
– Raw materials	**39,021**	49,446
– Finished goods	**126,474**	66,878
	165,495	116,324

An analysis of the amount of inventories recognised as an expense and included in consolidated statement of profit or loss is as follows:

	2022 RMB'000	2021 RMB'000
Carrying amounts of inventories sold	**143,485**	145,570
Cost of inventories directly recognised as research and development expenses	**6,543**	6,137
	150,028	151,707

15 TRADE AND OTHER RECEIVABLES

	31 December 2022 RMB'000	31 December 2021 RMB'000
Trade debtors, gross amount	**139,479**	85,357
Less: Loss allowance recognised	**(13,603)**	(9,302)
Trade and other receivables measured at amortised cost	**125,876**	76,055
Deposits and prepayments	**55,831**	63,491
	181,707	139,546

	31 December 2022 RMB'000	31 December 2021 RMB'000
Analysis for reporting purpose:		
Classified under:		
– Current assets	**180,757**	138,146
– Non-current assets	**950**	1,400
	181,707	139,546

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:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Within 3 months	**66,805**	74,478
3 to 6 months	**31,577**	918
6 to 12 months	**19,985**	551
Over 1 year	**7,509**	108
	125,876	76,055

Further details on the Group's credit policy and credit risk arising from trade and other receivables are set out in note 23(a).

16 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise

	31 December 2022 RMB'000	31 December 2021 RMB'000
Cash at banks and on hand	**13,268**	12,930

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank loans RMB'000 (note 18)	**Other borrowings RMB'000 (note 19)**	**Interest payables RMB'000**	**Total RMB'000**
At 31 December 2021 and 1 January 2022	**42,500**	**10,694**	**–**	**53,194**
Changes from financing cash flows:				
Proceeds from new loans	**58,000**	**31,137**	**–**	**89,137**
Repayment of loans	**(39,000)**	**(22,088)**	**–**	**(61,088)**
Interest paid	**–**	**–**	**(4,399)**	**(4,399)**
Total changes from financing cash flows	**19,000**	**9,049**	**(4,399)**	**23,650**
Other change:				
Interest expenses (note 6(a))	**–**	**–**	**4,399**	**4,399**
Total other change	**–**	**–**	**4,399**	**4,399**
At 31 December 2022	**61,500**	**19,743**	**–**	**81,243**

16 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(Continued)

(b) Reconciliation of liabilities arising from financing activities *(Continued)*

	Bank loans RMB'000 (note 18)	Other borrowings RMB'000 (note 19)	Interest payables RMB'000	Total RMB'000
At 31 December 2020 and 1 January 2021	44,000	–	–	44,000
Changes from financing cash flows:				
Proceeds from new loans	38,000	19,280	–	57,280
Repayment of loans	(39,500)	(8,586)	–	(48,086)
Interest paid	–	–	(3,071)	(3,071)
Total changes from financing cash flows	(1,500)	10,694	(3,071)	6,123
Other change:				
Interest expenses (note 6(a))	–	–	3,071	3,071
Total other change	–	–	3,071	3,071
At 31 December 2021	42,500	10,694	–	53,194

17 TRADE AND OTHER PAYABLES

	31 December 2022 RMB'000	31 December 2021 RMB'000
Trade payables	**14,169**	38,921
Other payables and accruals	**24,680**	17,353
Trade and other payables measured at amortised cost	**38,849**	56,274

All trade and other payables are expected to be settled within one year.

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

	31 December 2022 RMB'000	31 December 2021 RMB'000
Within 1 month	**12,545**	33,691
1 to 3 months	**211**	5,085
Over 3 months	**1,413**	145
	14,169	38,921

18 BANK LOANS

	31 December 2022 RMB'000	31 December 2021 RMB'000
Secured bank loans repayable:		
– Within 1 year or on demand	**61,500**	39,000
– Over 1 year and not more than 2 years	**–**	3,500
	61,500	42,500

18 BANK LOANS *(Continued)*

	31 December 2022 RMB'000	31 December 2021 RMB'000
Analysis for reporting purposes:		
Classified under:		
– Current liabilities	**61,500**	39,000
– Non-current liabilities	**–**	3,500
	61,500	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 amounted to RMB37,200,000 (2021: RMB20,000,000) as at 31 December 2022 were secured by the Group's property, plant and equipment (see note 12).

As at 31 December 2022, the bank loans carried interest at interest rates ranged 3.70%–6.40% (2021: 3.85%–7.00%) per annum.

19 OTHER BORROWINGS

	31 December 2022 RMB'000	31 December 2021 RMB'000
Secured other borrowings repayable:		
– Within 1 year or on demand	**11,459**	8,788
– Over 1 year and not more than 2 years	**8,284**	1,906
	19,743	10,694

19 OTHER BORROWINGS *(Continued)*

	31 December 2022 RMB'000	31 December 2021 RMB'000
Analysis for financial reporting purpose:		
Classified under:		
– Current liabilities	**11,459**	8,788
– Non-current liabilities	**8,284**	1,906
	19,743	10,694

During the year, the Group entered into certain agreements with third parties, pursuant to which the Group disposed of its machineries to these third parties for an aggregate consideration of RMB28,245,000 (2021: RMB19,280,000), 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 (Note 18) have given guarantee for the Group's obligations under the agreement for both years ended 31 December 2022 and 2021 and a related company controlled by Mr. Wei Jiakun have given guarantees for the Group's obligations under the agreements for the year ended 31 December 2021. In this connection, rentals payment for the lease of the machineries amounted to a total of RMB16,717,000 (2021: RMB9,634,000) were paid by the Group in respect of the current year under review.

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 recognise 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 and at the end of the reporting period, the other borrowings are carried at the effective interest rates of 5%–14% per annum.

20 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Income tax payable presented in the consolidated statement of financial position represents:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Balance at 1 January	**8,619**	8,858
Provision for current income tax for the year (note 7(a))	**5,712**	5,393
Over provision for income tax in prior years	**(382)**	(2,139)
Payment made during the year	**(310)**	(3,493)
Balance at 31 December	**13,639**	8,619

20 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

(b) Deferred tax assets recognised

(i) Movement of each component of deferred tax assets

The components of deferred tax assets recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Deferred tax assets attributable to			
Deferred tax arising from:	**Accruals and provisions** RMB'000	**Deferred revenue** RMB'000	**Government subsidies with repayment terms** RMB'000	**Total** RMB'000
At 1 January 2021	2,583	939	417	3,939
Credited to profit or loss	(773)	(144)	(417)	(1,334)
At 31 December 2021 and 1 January 2022	1,810	795	–	2,605
Charged/(credited) to profit or loss (note 7(a))	645	(144)	–	501
At 31 December 2022	2,455	651	–	3,106

(ii) Reconciliation to the consolidated statement of financial position

	31 December 2022 RMB'000	31 December 2021 RMB'000
Net deferred tax asset recognised in the consolidated statement of financial position	**3,106**	2,605
Net deferred tax liability recognised in the consolidated statement of financial position	**–**	–
	3,106	2,605

20 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

(c) Deferred tax liabilities not recognised

The new CIT Law and its relevant regulations impose a withholding tax at 10%, unless reduced by a tax treaty/arrangement, for dividend distributions out of earnings of PRC enterprises accumulated beginning on 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. The Group has not recognised deferred tax liabilities in respect of the undistributed earnings of approximately RMB212,027,000 as at 31 December 2022 (2021: RMB171,995,000) as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

21 DEFERRED REVENUE

	31 December 2022 RMB'000	31 December 2021 RMB'000
Government grants	**4,336**	5,296

	31 December 2022 RMB'000	31 December 2021 RMB'000
Movements of the deferred revenue during the year are as follows:		
At 1 January	**5,296**	6,255
Recognised to profit or loss	**(960)**	(959)
At 31 December	**4,336**	5,296

The government grants are related to the purchase, construction or acquisition of the long-term assets by the Group. The amount recognised in the profit or loss included in other net income (note 5).

22 SHARE CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

Company

	NOTE	Share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2021		2,693	49,892	(1,945)	(23,510)	27,130
Changes in equity for 2021:						
Total comprehensive expense for the year		–	–	(795)	(1,398)	(2,193)
Balance at 31 December 2021	27	2,693	49,892	(2,740)	(24,908)	24,937
Balance at 31 December 2021 and 1 January 2022		2,693	49,892	(2,740)	(24,908)	24,937
Changes in equity for 2022:						
Total comprehensive expense for the year		–	–	2,321	(5,349)	(3,028)
Issue of shares		871	33,986	–	–	34,857
Share issuing expenses		–	(308)	–	–	(308)
Balance at 31 December 2022	27	3,564	83,570	(419)	(30,257)	56,458

22 SHARE CAPITAL AND RESERVES *(Continued)*

(b) Share capital

Ordinary shares, issued and fully paid:	**No. of shares** '000	HK$'000	RMB'000
At 1 January 2021, 31 December 2021 and 1 January 2022	300,000	3,000	2,693
Issue of shares (ordinary shares of HK$0.01 each) (i)	99,000	990	871
At 31 December 2022	399,000	3,990	3,564

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.

Pursuant to the written resolution dated 11 December 2019, the Company allotted and issued 224,999,900 shares of HK$0.01 each at par value to the then existing shareholders. This resolution was conditional upon the share premium account being credited as a result of the Company's IPO and pursuant to this resolution, a sum of HK$2,249,999 standing to the credit of the share premium account as of 13 January 2020 was subsequently applied in paying up this capitalisation issue in full.

On 13 January 2020, the Company issued 75,000,000 ordinary shares at a price of HK$0.77 per share by way of public offering in connection with the listing of Company's shares on GEM of the Stock Exchange of Hong Kong Limited.

(i) Issue of ordinary shares by share subscription

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.

On 31 August 2022, the Company allotted and issued 99,000,000 ordinary shares at a price of HK$0.4 per share to Ming Liang Global and proceeds of the Share Subscription were received by the Group in October 2022.

22 SHARE CAPITAL AND RESERVES *(Continued)*

(c) Share premium

The share premium represents the difference between the par value of and consideration received for 33 shares issued to two pre-IPO investors in July 2018; the difference between the par value of and consideration received for 75,000,000 ordinary shares by initial public offering in January 2020; and the difference between the par value of and consideration received for 99,000,000 ordinary shares by share subscription in October 2022. Under the Companies Act of the Cayman Islands, the share premium account of the Company is distributable to the shareholders of the Company.

(d) Capital reserve

On 11 July 2018, the Company, through its wholly-owned subsidiary, acquired the entire equity interests of Hongguang Glass at an aggregate consideration of approximately RMB4,582,000 as part of the Reorganisation. Both the Company and Hongguang Glass were under common control immediately before and after the Reorganisation. The consideration paid was accounted for as deemed distribution to the Company's shareholders with the amount of consideration in excess of the paid-in capital of Hongguang Glass recorded in capital reserve.

(e) PRC statutory reserve

Statutory reserve is established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC.

In accordance with the PRC Company Law, a subsidiary of the Group which is domestic enterprise is required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to its respective statutory reserves until the reserves reach 50% of its respective registered capital. For the entity concerned, statutory reserves can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital.

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

22 SHARE CAPITAL AND RESERVES *(Continued)*

(f) Capital management *(Continued)*

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is calculated as bank loans and other borrowings, less cash and cash equivalents. Adjusted capital represents total equity attributable to equity shareholders of the Company.

During the years ended 31 December 2022, the Group's strategy was to maintain the adjusted net debt-to-capital ratio at a range considered reasonable by management. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The Group's adjusted net debt-to-equity ratio at the end of the current and previous reporting periods was as follows:

	NOTES	**31 December 2022 RMB'000**	31 December 2021 RMB'000
Bank loans	18	**61,500**	42,500
Other borrowings	19	**19,743**	10,694
Total debt		**81,243**	53,194
Less: Cash and cash equivalents	16(a)	**(13,268)**	(12,930)
Adjusted net debt		**67,975**	40,264
Total equity attributable to owners of the Company		**269,316**	200,577
Adjusted capital		**269,316**	200,577
Adjusted net debt-to-capital ratio		**25.2%**	20.1%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

23 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The financial assets and financial liabilities are summaries as follows:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Financial assets		
At amortised cost		
Trade and other receivables	**126,826**	77,455
Cash at banks and on hand	**13,268**	12,930
	140,094	90,385
Financial liabilities		
At amortised cost		
Financial liabilities included in trade and other payables	**28,840**	51,066
Bank loans	**61,500**	42,500
Other borrowings	**19,743**	10,694
	110,083	104,260

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks for which the Group considers to have low credit risk.

23 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at 31 December 2022 and 2021, 56% and 77.6% of the total trade receivables was due from the Group's five largest customers respectively.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are mainly due within 60 to 180 days from the date of delivery. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

		31 December 2022	
	Expected loss rate %	**Gross carrying amount RMB'000**	**Loss allowance RMB'000**
Current	**5%**	**81,702**	**4,086**
0–180 days past due	**10%**	**46,295**	**4,629**
181–270 days past due	**20%**	**5,856**	**1,171**
271–360 days past due	**50%**	**3,601**	**1,801**
361–450 days past due	**80%**	**544**	**435**
Over 450 days past due	**100%**	**1,481**	**1,481**
		139,479	**13,603**

23 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

Trade receivables *(Continued)*

	Expected loss rate %	31 December 2021 Gross carrying amount RMB'000	Loss allowance RMB'000
Current	5%	45,921	2,296
0–180 days past due	10%	34,784	3,478
181–270 days past due	20%	877	176
271–360 days past due	50%	629	314
361–450 days past due	80%	542	434
Over 450 days past due	100%	2,604	2,604
		85,357	9,302

Expected loss rate is taking into account the similar ageing of trade receivables, the repayment history of customers, current market conditions and customer-specific conditions. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Balance at 1 January	**9,302**	9,727
Loss allowance recognised/(reversed) during the year	**4,301**	(425)
Balance at 31 December	**13,603**	9,302

23 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on current rates at the end of the reporting period) and the earliest date the Group can be required to pay:

	As at 31 December 2022			
	Contractual undiscounted cash outflow			
	Within 1 year or on demand RMB'000	**More than 1 year but less than 5 years RMB'000**	**Total RMB'000**	**Carrying amount RMB'000**
Financial liabilities included in trade and other payables	**28,840**	**–**	**28,840**	**28,840**
Bank loans	**62,913**	**–**	**62,913**	**61,500**
Other borrowings	**16,531**	**4,724**	**21,255**	**19,743**
	108,284	**4,724**	**113,008**	**110,083**

	As at 31 December 2021			
	Contractual undiscounted cash outflow			
	Within 1 year or on demand RMB'000	More than 1 year but less than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Financial liabilities included in trade and other payables	51,066	–	51,066	51,066
Bank loans	43,977	–	43,977	42,500
Other borrowings	9,500	1,931	11,431	10,694
	100,861	5,613	106,474	104,260

23 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from bank loans and other borrowings. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

(i) Interest rate profile

The following table details the interest rate profile of the Group's bank loans at the end of the reporting period.

	2022		2021	
	Effective interest rate %	**RMB'000**	Effective interest rate %	RMB'000
Fixed rate borrowings:				
Bank loans	**3.7%–6.40%**	**61,500**	3.95%–5.16%	39,000
Other borrowings	**5.00%–14.32%**	**19,743**	5%–13%	10,694
Variable rate borrowings:				
Bank loans	**Nil**	**–**	4.05%	3,500
Total borrowings		**81,243**		53,194
Fixed rate borrowings as a percentage of total borrowings		**100%**		93%

23 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk *(Continued)*

(ii) Sensitivity analysis

At 31 December 2022, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained earnings by approximately RMB Nil (2021: RMB38,000).

The sensitivity analysis above had been determined based on the exposure to interest rates at the end of reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of reporting period were outstanding for the whole year and it represents management's assessment of the reasonably possible change in interest rates. The analysis is preformed on the same basis as 2021.

(d) Currency risk

As the Group's principal activities are carried out in the PRC, the Group's transactions are mainly dominated in Renminbi, which is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place through the People's Bank of China or other institutions authorised to buy and sell foreign exchange. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China that are determined largely by supply and demand.

The directors considered the Group's exposure to foreign currency risk is not significant during the reporting period.

(e) Fair value measurement

All of the Group's financial instruments were carried at amortised cost. Their carrying amounts were not materially different from their fair values as at 31 December 2022 and 2021.

(Expressed in Renminbi Yuan)

24 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place and date of incorporation/ establishment and operation	Registered capital/issued and fully paid-up capital	Equity attribute to the Company			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
Hongguang International Limited ("Hongguang International")	British Virgin Islands 25 May 2017	US$1/US$1	100%	100%	–	Investment holding
Hongguang Technology (Hong Kong) Limited ("Hongguang HK")	Hong Kong 12 July 2017	HK$1/HK$1	100%	–	100%	Investment holding
Hongguang Glass* (揭陽市宏光鍍膜玻璃有限公司)	The PRC 10 April 1992	RMB69,960,000/ RMB24,380,000**	100%	–	100%	Manufacturing and sales of architectural glass products
Novel Prestige Investments Limited	British Virgin Islands 18 March 2021	US$1/US$1	100%	100%	–	Investment holding
Diagon Will Corporation Limited Hong Kong	Hong Kong 18 March 2021	HK$1/HK$1	100%	–	100%	Investment holding
廣州隆光控股有限公司	The PRC 27 July 2021	RMB1,000,000/ RMBNIL	100%	–	100%	Dormant

* The English translation of Hongguang Glass is for reference only. The official name of the Company is in Chinese.

** The registered capital of Hongguang Glass increased from RMB4,380,000 in 2019 to RMB69,960,000 in 2021. The paid-in capital of Hongguang Glass increased from RMB4,380,000 in 2019 to RMB24,380,000 in 2021.

25 COMMITMENTS

(a) On 13 April 2021, the Company entered into the Equity Sale and Purchase Agreement (the "Equity Sale and Purchase Agreement") with Ming Liang Global Limited ("Ming Liang Global", the immediate holding company of the Company), pursuant to which the Company has conditionally agreed to acquire, and Ming Liang Global has agreed conditionally to sell, the 100% of the issued share capital of a newly incorporated company, which will hold the entire equity interest in Guangdong Longjian Engineering Co., Ltd. ("Guangdong Longjian") at date of completion of this purchase and sale transaction, at a consideration of HK$64,200,000. The consideration shall be settled by way of (i) issue and allotment of 99,000,000 new shares of the Company at an issue price of HK$0.32 per consideration share, such that total value of the consideration shares will be HK$31,680,000, and (ii) issue of the convertible bonds by the Company in the principal amount of HK$32,520,000, which are interest free, perpetual securities with no fixed maturity date and are convertible into 101,625,000 new shares of the Company. Guangdong Longjian, being a limited company incorporated in the PRC, is principally engaged in civil and building construction and engineering, commodity wholesale trade (except for approved commodities), and commodity retail trade (except for approved commodities). Details of this transaction are set out in the announcement dated 13 April 2021 made by the Company.

On 12 May 2022, the Company entered into a termination agreement (the "Termination Agreement") with Ming Liang Global, pursuant to which the Company and Ming Liang Global mutually agreed to terminate the Equity Sale and Purchase Agreement on 13 April 2021.

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.

(b) The Group had other commitments not provided for in the consolidated financial statements in respect of acquisition and construction of property, plant and equipment, as follows:

	2022	2021
	RMB'000	RMB'000
Contracted for	**2,000**	–
Authorised but not contracted for	**2,980**	9,980
	4,980	9,980

26 RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the Group entered into the following related party transactions.

During the reporting period, the directors are of the view that the following companies and persons are related parties of the Group:

Name of party	Relationship
Ming Liang Global Limited	Controlling Shareholder
Lin Weishan	Shareholder of Controlling Shareholder and executive director
Wei Jiakun	Shareholder of Controlling Shareholder and executive director
Liu Rong	Shareholder of Controlling Shareholder
Orient Success Ventures Limited	One of the Substantial Shareholders
Chen Biming	Executive director
Li Wanna	Executive director
Hongguang Mirror (揭陽市榕城區鯤鵬金屬製品廠) (Note)	Company controlled by Wei Jiakun

Note: The English translation of the above company name is for reference only. The official name of the company established in the PRC is in Chinese.

(a) Balances with related parties

As at the end of the respective reporting period, the Group had no balances with related parties.

(b) Guarantees provided by related parties

	2022	2021
	RMB'000	RMB'000
Controlling Shareholders of the Group's Shareholder	**72,488**	48,764
Hongguang Mirror	**–**	1,768

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2022	2021
	RMB'000	RMB'000
Short-term employee benefits	**736**	735

Total remuneration is included in "staff costs" (see note 6(b)).

27 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	NOTE	**31 December 2022 RMB'000**	31 December 2021 RMB'000
Non-current assets			
Investments in a subsidiary		**–***	–*
Amount due from a subsidiary		**66,152**	36,135
		66,152	36,135
Current assets			
Trade and other receivable		**510**	–
Cash and cash equivalents		**6**	10
		516	10
Current liabilities			
Trade and other payables		**3,784**	3,500
Amounts due to subsidiaries		**6,426**	7,708
		10,210	11,208
Net current liabilities		**(9,694)**	(11,198)
Net assets		**56,458**	24,937
EQUITY	22(a)		
Share capital		**3,564**	2,693
Reserves		**52,894**	22,244
TOTAL EQUITY		**56,458**	24,937

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

The Company's statement of financial position was approved and authorised for issue by the board of directors on 31 March 2023 and is signed on its behalf by:

Wei Jiakun	)	
	)	*Directors*
Lin Weishan	)	

28 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

The directors consider that the immediate holding company of the Company to be Ming Liang Global Limited ("Ming Liang Global"), which is incorporated in the British Virgin Islands. The directors also consider that Mr. Wei Jiakun, Ms. Lin Weishan and Ms. Liu Rong, being collectively, are ultimate controlling parties of the Company. Mr. Wei Jiakun and Ms. Lin Weishan are directors of the Company.

The entire issued share capital of Ming Liang Global 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 Jiakun, Ms. Lin Weishan (the spouse of Mr. Wei Jiakun) and Ms. Liu Rong (the mother of Mr. Wei Jiakun) as the settlors and the beneficiaries of The Wei Family Trust include Mr. Wei Jiakun, Ms. Lin Weishan, Ms. Liu Rong and certain family members of Mr. Wei Jiakun.

FINANCIAL SUMMARY

RESULTS

	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**208,656**	203,074	156,904	200,181	152,297
Profit before taxation	**39,389**	43,588	13,107	32,555	36,492
Income Tax	**(4,829)**	(4,588)	(2,811)	(5,716)	(4,727)
Profit for the year	**34,560**	39,000	10,296	26,839	31,765

ASSETS AND LIABILITIES

	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**407,383**	323,960	239,461	190,864	146,762
Total liabilities	**138,067**	123,383	77,741	79,758	62,495
Total equity	**269,316**	200,577	161,720	111,106	84,267

Note: The financial information for the years ended 31 December 2018 were extracted from the prospectus of the Company dated 31 December 2019. The summary above does not form part of the audited financial statements.