HONGGUANG LIGHTING HOLDINGS COMPANY LIMITED

宏光照明控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6908)

ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

Year ended 31 December (RMB'000)	**2019**	2018	Percentage Change
Revenue	**243,260**	203,747	19.4%
Cost of sales	**(182,996)**	(155,899)	17.4%
Gross profit	**60,264**	47,848	25.9%
Profit before income tax expense	**23,078**	29,036	–20.5%
Net profit	**17,278**	23,896	–27.7%
Earnings per share (RMB)	**0.0432**	0.0597	–27.6%
Total assets	**246,096**	198,948	23.7%
Total equity	**167,596**	150,210	11.6%
Key Financial Ratios			
Gross profit margin (%)	**24.8**	23.5	
Net profit margin (%)	**7.1**	11.7	
Return on equity (%)	**10.3**	15.9	
Return on assets (%)	**7.0**	12.0	
Current ratio	**2.8**	3.7	
Gearing ratio (%)	**7.7**	N/A	

ANNUAL RESULTS

The board (the "**Board**") of Directors (the "**Directors**") of HongGuang Lighting Holdings Company Limited (the "**Company**") is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2019, together with the comparative figures for the year ended 31 December 2018, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	**2019** *RMB'000*	2018 *RMB'000*
Revenue	*5*	**243,260**	203,747
Cost of sales		**(182,996)**	(155,899)
Gross profit		**60,264**	47,848
Other income and gains	*5*	**832**	183
Selling and distribution expenses		**(1,960)**	(1,088)
Administrative and other expenses		**(34,014)**	(19,210)
(Provision on)/reversals of expected credit losses on trade and bills receivables		**(1,588)**	1,303
Finance costs	*7*	**(456)**	—
Profit before income tax expense	*6*	**23,078**	29,036
Income tax expense	*8*	**(5,800)**	(5,140)
Profit for the year attributable to owners of the Company		**17,278**	23,896
Other comprehensive income			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**108**	689
Total comprehensive income for the year attributable to owners of the Company		**17,386**	24,585
Earnings per share attributable to owners of the Company			
— Basic and diluted (RMB cents)	*9*	**4.32**	5.97

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**31,951**	16,349
Intangible assets		**1,580**	2,262
Prepayments and deposits	*12*	**195**	931
Deferred tax assets		**198**	466
		33,924	20,008
Current assets			
Inventories		**23,387**	16,664
Trade and bills receivables	*11*	**137,180**	94,351
Prepayments, deposits and other receivables	*12*	**8,130**	7,282
Financial assets at fair value through profit or loss		**13,190**	6,905
Pledged bank deposits		**—**	3,960
Bank balances and cash		**30,285**	49,778
		212,172	178,940
Current liabilities			
Trade and bills payables	*13*	**45,648**	40,260
Other payables and accruals		**14,794**	6,547
Bank borrowings	*14*	**12,850**	—
Lease liabilities		**1,858**	—
Current tax liabilities		**1,195**	1,931
		76,345	48,738
Net current assets		**135,827**	130,202
Non-current liabilities			
Lease liabilities		**2,155**	—
		2,155	—
Net assets		**167,596**	150,210

	Notes	**2019**	2018
		RMB'000	*RMB'000*
EQUITY			
Equity attributable to owners of the Company			
Share capital	*15*	**3,580**	3,580
Reserves		**164,016**	146,630
Total equity		**167,596**	150,210

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL AND CORPORATE INFORMATION

HongGuang Lighting Holdings Company Limited (the "**Company**") was incorporated with limited liability in the Cayman Islands on 27 May 2015. The shares have been listed on the GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 30 December 2016 with stock code "8343" and have been transferred from the GEM to the Main Board of the Stock Exchange on 13 November 2019 with stock code "6908".

The address of the Company's registered office is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The principal place of business of the Company and its subsidiaries (collectively referred to as the "**Group**") is located in the People's Republic of China (the "**PRC**") at the North Side, 2nd Floor, No.8 Pinggong Er Road, Nanping Technology Industrial Park, Zhuhai, the PRC.

The Company's principal activity is investment holding. The Group is principally engaged in the design, development, manufacturing, subcontracting service and sales of light-emitting diode ("**LED**") beads and LED lighting products in the PRC.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs — effective 1 January 2019

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features and Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to HKFRSs 2015–2017	Amendments to HKFRS 3 Business Combinations
	Amendments to HKFRS 11 Joint Arrangements
	Amendments to HKAS 12 Income Taxes
	Amendments to HKAS 23 Borrowing Costs

The impact of the adoption of HKFRS 16 Leases have been summarised in below. The other new or amended HKFRSs that are effective from 1 January 2019 did not have any significant impact on the Group's accounting policies.

Except for HKFRS 16, Leases, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in the consolidated financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16 — Leases

HKFRS 16 replaces HKAS 17, Leases, and the related interpretations, HK(IFRIC) 4, Determining whether an arrangement contains a lease, HK(SIC) 15, Operating leases — incentives, and HK(SIC) 27, Evaluating the substance of transactions involving the legal form of a lease. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity as at 1 January 2019.

Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) *Changes in the accounting policies*

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. 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.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment.

Where the contract contains lease components and non-lease components, 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.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. For the Group, low-value assets are typically laptops or office furniture. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using the lessee's incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes 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, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to 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.

(b) *Transitional impact*

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates as at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.35%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitment as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019
	RMB'000
Operating lease commitment as at 31 December 2018	**2,436**
— rental adjustment *(note)*	**(116)**
Less: total future interest expenses	**(285)**
Present value of remaining lease payments, discounted using the incremental borrowing rate as at 1 January 2019	**2,035**
Add: finance lease liabilities recognised as at 31 December 2018	**—**
Total lease liabilities recognised as at 1 January 2019	**2,035**

The right-of-use assets in relation to leases previously classified as operating leases have been recognised as at 1 January 2019 at an amount equal to the lease liabilities recognised as at 1 January 2019, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018.

Note: The rental adjustment represented the effect of the change in value-added tax rate in 2019.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount as at 31 December 2018	**Capitalisation of operating lease contracts**	**Carrying amount as at 1 January 2019**
	RMB'000	*RMB'000*	*RMB'000*
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Property, plant and equipment	16,349	2,035	18,384
Total non-current assets	20,008	2,035	22,043
Lease liabilities (current)	—	290	290
Current liabilities	48,738	290	49,028
Net current assets	130,202	(290)	129,912
Total assets less current liabilities	150,210	1,745	151,955
Lease liabilities (non-current)	—	1,745	1,745
Total non-current liabilities	—	1,745	1,745
Net assets	150,210	—	150,210

The analysis of the net book value of the Group's right-of-use assets by class is rental premises leased for own use at the end of the reporting period and at the date of transition to HKFRS 16.

(c) *Lease liabilities*

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 are as follows:

	As at 31 December 2019		As at 1 January 2019	
	Present value of the minimum lease payments	**Total minimum lease payments**	Present value of the minimum lease payments	Total minimum lease payments
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Within 1 year	**1,858**	**2,038**	290	371
After 1 year but 2 years	**1,028**	**1,102**	302	371
After 2 years but within 5 years	**1,035**	**1,113**	991	1,114
After 5 years	**92**	**93**	452	464
	2,155	**2,308**	1,745	1,949
	4,013	**4,346**	2,035	2,320
Less: total future interest expenses		**(333)**		(285)
Present value of lease liabilities		**4,013**		2,035

(d) *Impact on the financial result, segment results and cash flows of the Group*

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liabilities, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in no material impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

The following tables may give an indication of the estimated impact of adoption of HKFRS 16 on the Group's financial result, segment results and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply to 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

	2019				2018
			Deduct:		
		Add back:	**Estimated**		Compared to
		HKFRS 16	**amounts related**	**Hypothetical**	amounts
	Amounts	**depreciation**	**to operating**	**amounts**	reported for
	reports under	**and interest**	**leases as if**	**for 2019 as if**	2018 under
	HKFRS 16	**expense**	**under HKAS 17**	**under HKAS 17**	HKAS 17
	(A)	**(B)**	**(C)**	**(D=A+B+C)**	
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	*RMB'000*
Financial result for the year ended 31 December 2019 impacted by the adoption of HKFRS 16:					
Profit from operations	**23,534**	**326**	**(371)**	**23,489**	29,036
Finance costs	**(456)**	**81**	**—**	**(375)**	—
Profit before taxation	**23,078**	**407**	**(371)**	**23,114**	29,036
Profit for the year	**17,278**	**407**	**(371)**	**17,314**	23,896

	2019			2018
				Compared to
		Estimated amounts	**Hypothetical**	amounts
	Amounts	**related to operating**	**amount**	reported for
	reported under	**leases as if**	**for 2019 as if**	2018 under
	HKFRS 16	**under HKAS 17**	**under HKAS 17**	HKAS 17
	(A)	**(B)**	**(C=A+B)**	
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*
Line items in the consolidated cash flow statement for the year ended 31 December 2019 impacted by the adoption of HKFRS 16:				
Cash (used in)/generated from operations	**(7,839)**	**(1,001)**	**(8,840)**	50,312
Net cash (used in)/generated from operating activities	**(14,107)**	**(1,001)**	**(15,108)**	46,788
Capital element of lease rentals paid	**(920)**	**920**	**—**	—
Interest element of lease rentals paid	**(81)**	**81**	**—**	—
Net cash generated from/(used in) financing activities	**11,474**	**1,001**	**12,475**	(832)

HK(IFRIC)-Int 23 — Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Amendments to HKFRS 9 — Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met — instead of at fair value through profit or loss.

Amendments to HKAS 19 — Plan amendments, curtailment or settlement

The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company should use updated actuarial assumptions to determine its current service cost and net interest for the period. Additionally, the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

Amendments to HKAS 28 — Long-term Interests in Associates and Joint Ventures

The amendment clarifies that HKFRS 9 applies to long-term interests ("**LTI**") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

Annual Improvements to HKFRSs 2015-2018 Cycle — Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015-2018 Cycle — Amendments to HKFRS 11, Joint Arrangements

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015-2018 Cycle — Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015-2018 Cycle — Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 3	Definition of a business[1]
Amendments to HKAS 1 and HKAS 8	Definition of material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2020

2 Effective for annual periods beginning on or after 1 January 2021

3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2018. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

Amendments to HKFRS 3 — Definition of a business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The Directors anticipate the application of Amendments to HKFRS 3 have no impact to the Group.

Amendments to HKAS 1 and HKAS 8 — Definition of material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

The Directors anticipate the application of Amendments to HKAS 1 and HKAS 8 have no impact to the Group.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 — Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

The Directors anticipate the application of Amendments to HKFRS 9, HKAS 39 and HKFRS 7 have no impact as the Group do not have any hedge arrangement.

HKFRS 17 — Insurance Contracts

HKFRS 17 will replace HKFRS 4 as a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the financial statements of the issuers of those contracts.

The HKFRS 17 is not applicable as the Group is not engaged in insurance business.

Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

The Directors anticipate the application of Amendments to HKFRS 10 and HKAS 28 have no impact as the Group do not have associate or joint venture.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as the "**HKFRS**") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis except for the financial assets at fair value through profit or loss, which are measured at fair value as explained in the accounting policies below.

(c) Functional and presentation currency

The financial statements are presented in Renminbi ("**RMB**"), which is also the functional currency of the Company and all values are rounded to the nearest thousand ("**RMB'000**") except when otherwise indicated.

4. SEGMENT INFORMATION

The chief operating decision makers are identified as Executive Directors of the Company. The Group has identified its operating segment based on the regular internal financial information reported to the Company's Executive Directors for their decisions about resources allocation and review of performance. The Executive Directors have considered the only operating segment of the Group is design, development, manufacturing, subcontracting service and sales of LED beads and LED lighting products.

No geographical information is presented as most of the Group's operations are located in the PRC.

Revenue from customers who contributed over 10% of the Group's revenue for the corresponding years are as follows:

	2019	2018
	RMB'000	*RMB'000*
Client A	**43,905**	43,685
Client B	**43,622**	31,550
Client C	**22,068**	29,197
Client D	**20,690**	24,565

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, less discounts, returns, value added tax and other applicable local taxes during the year. The principal activities of the Group are sale of the LED beads and LED lighting products and subcontracting service.

The sales contract terms not allow rebate, discount, warranties and return on revenue. During the years ended 31 December 2019 and 2018, there is no rebate, discount, warranties and return on revenue.

An analysis of the Group's revenue, other income and gains are as follows:

	2019	2018
	RMB'000	*RMB'000*
Revenue recognised at a particular point in time		
Sales of LED beads	**234,980**	198,392
Sales of LED lighting products	**6,299**	5,355
Revenue recognised overtime		
Subcontracting service	**1,981**	—
	243,260	203,747
Other income and gains		
Bank interest income	**660**	77
Government grants *(Note)*	**172**	106
	832	183

Note: The amount represents the government subsidy received for the Group's technology advancement with no condition during the year.

The following table provides information about trade and bills receivables after expected credit losses ("**ECLs**") from contracts with customers.

	2019	2018
	RMB'000	*RMB'000*
Receivables	**137,180**	94,351

6. PROFIT BEFORE INCOME TAX EXPENSE

The Group's profit before income tax expense is arrived at after charging/(crediting):

	2019	2018
	RMB'000	*RMB'000*
Cost of inventories sold	**183,802**	155,899
Depreciation charge:		
— Owned property, plant and equipment	**3,826**	3,284
— Right-of-use-assets included within (note (i)):		
— Property	**325**	—
— Machinery	**483**	—
Total minimum lease payments for leases previously classified as operating leases under HKAS 17	**—**	388
Amortisation of intangible assets, included in cost of sales	**682**	682
Auditors' remuneration	**875**	799
Research and development costs, included in administrative and other expenses	**14,046**	10,025
Interest on lease liabilities	**147**	—
Employee costs (including Directors' remuneration)		
— Wages, salaries and other benefits	**7,878**	7,018
— Contribution to defined contribution pension plans	**1,267**	924
Listing expenses *(note (ii))*	**9,055**	—
Exchange gain, net	**(39)**	(88)

Note:

(i) The Group has initially applied HKFRS 16 using the cumulative effect approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. The depreciated carrying amount of the finance lease assets is also identified as right-of-use asset. After initial recognition of right-of-use assets at 1 January 2019, the Group as lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information has not been restated. See note 2(a).

(ii) During the year ended 31 December 2019, the listing expenses are expenses related to the board transfer from GEM to Main Board of the Stock Exchange for the Group's listed shares.

7. FINANCE COSTS

	2019	2018
	RMB'000	*RMB'000*
Interest on bank borrowings	**309**	—
Interest on lease liabilities	**147**	—
	456	—

8. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "**BVI**"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

The subsidiary incorporated in Hong Kong is subject to income tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the years ended 31 December 2019 and 2018.

In 2017, the Group's wholly-owned subsidiary, Zhuhai HongGuang Lighting Fixture Company Limited ("**Zhuhai HongGuang**") (珠海宏光照明器材有限公司) was awarded a "New and High Technology Enterprise Certificate" (高新技術企業證書). The certificate of High and New Technology Enterprise has to be renewed over three years. Pursuant to the relevant PRC enterprise income tax law, regulations and implementation guidance notes, Zhuhai HongGuang is entitled to a tax preference with a reduction of the enterprise income tax ("**EIT**") rate from 25% to 15% for the years ended 31 December 2019 and 2018.

	2019	2018
	RMB'000	*RMB'000*
Current income tax — PRC EIT		
— tax for the year	**5,532**	5,033
— Over provision in respect of prior years	**—**	(224)
Deferred tax	**268**	331
	5,800	5,140

9. EARNINGS PER SHARE

The basic earnings per share for the year is calculated based on the profit attributable to owners of the Company of RMB17,278,000 (2018: RMB23,896,000), and the weighted average number of ordinary shares of 400,000,000 issued during the year ended 31 December 2019 (2018: 400,000,000). The Company did not have any potential dilutive shares for the years ended 31 December 2019 and 2018. Accordingly, the diluted earnings per share are the same as the basic earnings per share.

10. DIVIDEND

No dividend has been paid or declared by the Company for the years ended 31 December 2019 and 2018.

11. TRADE AND BILLS RECEIVABLES

The information about trade and bills receivables after ECLs are as follows:

	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**132,153**	94,341
Bills receivable	**5,027**	10
	137,180	94,351

The Group's trading terms with its customers are mainly on credit. The credit period is generally 30 days to 90 days, extending up to 120 days for major customers. The Group seeks to maintain control over its outstanding receivables and overdue balances are reviewed regularly by senior management. There is a certain concentration of credit risk.

Included in trade and bills receivables are trade debtors (net of impairment losses) with the following ageing analysis, based on invoice dates, as of the end of reporting period.

	2019	2018
	RMB'000	*RMB'000*
0 to 30 days	**46,261**	34,187
31 to 60 days	**23,005**	24,739
61 to 90 days	**20,968**	16,361
91 to 120 days	**14,246**	8,083
121 to 365 days	**33,334**	11,448
Over 1 year	**2,870**	1,449
	140,684	96,267
Less: Impairment of trade and bills receivables	**(3,504)**	(1,916)
	137,180	94,351

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Other receivables	**218**	51
Prepayments and deposits *(note)*	**8,107**	8,162
	8,325	8,213
Less: non-current portion		
Prepayments and deposits for acquisition of property, plant and equipment	**(195)**	(931)
Current portion	**8,130**	7,282

Prepayments, deposits and other receivables do not contain impaired assets.

Note: The amount includes the prepayment to the independent third parties suppliers amounted to approximately RMB7,633,000 (2018: RMB6,783,000) for purchase of raw material.

13. TRADE AND BILLS PAYABLES

	2019	2018
	RMB'000	*RMB'000*
Trade payables	**33,314**	29,405
Bills payables	**12,334**	10,855
	45,648	40,260

The credit period granted from suppliers normally ranges from 0 to 120 days. The aging analysis of trade and bills payables, based on invoice date, is as follows:

	2019	2018
	RMB'000	*RMB'000*
0 to 30 days	**12,748**	11,770
31 to 60 days	**8,693**	3,740
61 to 90 days	**10,140**	8,906
91 to 120 days	**4,786**	5,873
121 to 365 days	**9,076**	9,684
Over 1 year	**205**	287
	45,648	40,260

14. BANK BORROWINGS

	2019	2018
	RMB'000	*RMB'000*
Unsecured interest-bearing bank borrowings:		
— Repayable on demand or within one year	**12,850**	—

As at 31 December 2019, the effective interest rates of the unsecured interest-bearing bank borrowings were ranging from 4.35% to 5.17% per annum.

15. SHARE CAPITAL

	Number of ordinary shares	*RMB'000*
Issued and fully paid:		
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	400,000,000	3,580

MANAGEMENT DISCUSSION AND ANALYSIS

The Board hereby presents the annual results of the Group for the year ended 31 December 2019 (the "**Year**" or "**2019**"), together with the comparative figures for the corresponding year ended 31 December 2018 (the "**Previous Year**" or "**2018**").

BUSINESS ACTIVITIES

The Group is principally engaged in the design, development, manufacturing, subcontracting service and sales of light-emitting diode ("**LED**") beads and LED lighting products in the PRC. Since the listing of the Company's securities on the GEM on 30 December 2016 (the "**Listing**"), there are no significant change in the business operations of the Group. During the Year, the Group generally recognised revenue from the sales of LED beads and LED lighting products upon delivery of the products to the customers with their acceptance of the products and recognised revenue from subcontracting service based on the stage of completion of the contract by adopting the input method.

BUSINESS REVIEW

The Group's revenue increased from approximately RMB203.7 million for the year ended 31 December 2018 to approximately RMB243.3 million for the year ended 31 December 2019. The demand for slim LED beads continued its strong momentum during the year ended 31 December 2019, which contributed approximately RMB89.9 million to the Group's revenue for the Year, as compared to approximately RMB53.1 million for the Previous Year. Since July 2019, the Group has commenced its commercial production of LED beads under a subcontracting arrangement with a new customer, which is a South Korea listed LED parts manufacturer. The revenue derived from the subcontracting arrangement was approximately RMB2.0 million for the year ended 31 December 2019 (2018: nil).

Profit for the year ended 31 December 2019 amounted to approximately RMB17.3 million (approximately RMB23.9 million for the year ended 31 December 2018), which represents a decrease of approximately RMB6.6 million or approximately 27.6% as compared to that of the Previous Year. Such decrease was mainly attributable to (i) the increase in the professional services expenses in relation to the recent transfer of listing of the Company's shares from the GEM to the Main Board of the Stock Exchange; and (ii) the increase in research and development expenses.

On 6 May 2019, the Company submitted a formal application to the Stock Exchange for a proposed transfer of listing from the GEM to the Main Board of the Stock Exchange. On 13 November 2019, the shares of the Company were successfully listed on the Main Board of the Stock Exchange (the "**Transfer of Listing**"). The Directors are of the view that the Transfer of Listing will be beneficial to the Group's future growth as well as business development which will create a long-term value to the shareholders of the Company.

In May 2019, the Group's principal operating subsidiary, Zhuhai HongGuang Lighting Fixture Company Limited* ("**Zhuhai HongGuang**") (珠海宏光照明器材有限公司), was accredited with the IATF 16949:2016, a widely used international standards for quality management in the automotive industry. The Directors believe that this accreditation will help the Group to open up more business opportunities in the future, as IATF 16949:2016 applies to the design, development, production, installation and servicing of automotive-related products (e.g. display panels used in vehicles).

During the Year, registration of 9 patents were further granted to Zhuhai HongGuang. As at 31 December 2019, the Group is the registered proprietor of 27 patents in the PRC.

Zhuhai HongGuang has successfully renewed its status of New and High Technology Enterprise* (高新技術企業). Accordingly, Zhuhai HongGuang is entitled to a tax preference with a reduction of the enterprise income tax rate in the PRC from 25% to 15% for the period from 1 January 2019 to 31 December 2021.

The industry outlooks and prospects have become highly challenging and uncertain for the Company following the outbreak of the novel coronavirus (COVID-19) epidemic. In particular, the Group and its customers are likely to be adversely impacted by the sluggish consumer electronics market conditions and the delay of product launches by downstream consumer electronics companies. The Company will continue to monitor the market situation and strive to mitigate any adverse impact it may face to the best of its ability.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2019, total revenue was approximately RMB243.3 million, representing an increase of approximately 19.4% as compared with the Previous Year (2018: approximately RMB203.7 million). The increase was mainly attributable to the increase in revenue from the sales of LED beads.

The following table sets forth a breakdown of the Group's revenue by segment:

	2019		2018	
	RMB'000	*%*	*RMB'000*	*%*
LED beads	**234,980**	**96.6**	198,392	97.4
LED lighting products	**6,299**	**2.6**	5,355	2.6
Subcontracting service	**1,981**	**0.8**	—	—
Total	**243,260**	**100.0**	203,747	100.0

For the year ended 31 December 2019, revenue from LED beads amounted to approximately RMB235.0 million (2018: approximately RMB198.4 million), accounting for 96.6% of the total revenue (2018: 97.4%). The increase in revenue was mainly due to an increase in the sales volume during the Year, as the demand for backlight LED products and LED beads in the PRC remains robust.

Revenue from LED lighting products during the Year amounted to approximately RMB6.3 million (2018: approximately RMB5.4 million), representing 2.6% of the total revenue (2018: 2.6%).

Revenue from subcontracting service during the Year amounted to approximately RMB2.0 million (2018: nil), representing approximately 0.8% of the total revenue (2018: nil).

Cost of Sales

Cost of sales of the Group primarily consisted of cost of material used, direct labour and production overheads. It increased by approximately 17.4% from approximately RMB155.9 million for the year ended 31 December 2018 to approximately RMB183.0 million for the year ended 31 December 2019, reflecting an increase in the sales volume of LED beads and LED lighting products, which mainly led to the increase in the cost of material used during the Year.

Gross Profit and Gross Profit Margin

The gross profit increased from approximately RMB47.8 million for the year ended 31 December 2018 to approximately RMB60.3 million for the year ended 31 December 2019. The gross profit margin increased from approximately 23.5% for the year ended 31 December 2018 to approximately 24.8% for the year ended 31 December 2019. The following table sets forth a breakdown of the gross profit and gross profit margin by segment for the periods indicated:

	Year ended 31 December 2019		Year ended 31 December 2018	
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin
	RMB'000	**%**	*RMB'000*	%
LED beads	**55,202**	**23.5**	45,412	22.9
LED lighting products	**3,081**	**48.9**	2,436	45.5
Subcontracting service	**1,981**	**N/A** *(Note)*	—	—
Total gross profit/gross profit margin	**60,264**	**24.8**	47,848	23.5

Note: The gross profit margin did not apply to the subcontracting service income as the amount was recognized on net basis.

The gross profit margin of LED beads increased slightly from approximately 22.9% for the year ended 31 December 2018 to approximately 23.5% for the year ended 31 December 2019. Such increase was mainly attributable to the decrease in the average purchase price of the raw materials.

The gross profit margin of LED lighting products experienced an increase from approximately 45.5% for the year ended 31 December 2018 to approximately 48.9% for the year ended 31 December 2019. Such increase was mainly due to the higher proportion of sales of LED lighting products with higher profit margin during the Year, as compared to the Previous Year.

Other Income and Gains

Other income and gains of the Group increased by approximately 300.0% from approximately RMB0.2 million for the year ended 31 December 2018 to approximately RMB0.8 million for the year ended 31 December 2019, which was mainly due to the increase in interest income during the Year.

Selling and Distribution Expenses

The selling and distribution expenses increased by approximately 81.8% from approximately RMB1.1 million for the year ended 31 December 2018 to approximately RMB2.0 million for the year ended 31 December 2019. The selling and distribution expenses mainly comprised of staff costs, traveling expenses and entertainment expenses. The increase in selling and distribution expenses was mainly attributable to the increase in traveling expenses and staff costs.

Administrative and Other Expenses

The Group's administrative and other expenses increased by approximately 77.1% from approximately RMB19.2 million for the year ended 31 December 2018 to approximately RMB34.0 million for the year ended 31 December 2019. The administrative and other expenses mainly included administrative staff costs, research and development costs and professional services expenses. The increase in administrative and other expenses was mainly due to (i) the increase in the professional services expenses in relation to the Transfer of Listing; and (ii) the increase in research and development costs during the Year. The professional services expenses in relation to the Transfer of Listing (the "**Transfer Expenses**") were approximately RMB9.1 million for the year ended 31 December 2019 (2018: nil). The research and development expenses were approximately RMB14.0 million for the year ended 31 December 2019 (2018: approximately RMB10.0 million). The Group has placed more emphasis on the research and development in slim LED beads and has commissioned the School of Applied Physics and Material Science of Wuyi University (五邑大學) to conduct specific research projects for the Group in the second half of 2018.

Finance Costs

The Group's finance costs was approximately RMB0.5 million for the year ended 31 December 2019 (2018: nil). The increase in finance costs was mainly attributable to the new bank borrowings during the Year. As at 31 December 2019, the total available banking facilities of the Group were RMB15.0 million (31 December 2018: nil). The total drawn down from the banking facilities as at 31 December 2019 was approximately RMB12.9 million (31 December 2018: nil).

Income Tax Expense

Income tax expense of the Group for the Year was approximately RMB5.8 million (2018: approximately RMB5.1 million). The increase in income tax expense was primarily attributable to the Group's increase in revenue during the Year.

Profit for the Year

The profit for the Year decreased by approximately RMB6.6 million or approximately 27.6% from approximately RMB23.9 million for the year ended 31 December 2018 to approximately RMB17.3 million for the year ended 31 December 2019. The decrease in profit for the Year was mainly attributable to the increase in administrative and other expenses, in particular, the Transfer Expenses, for the Year, as compared to the Previous Year.

Net Profit Margin

The net profit margin was approximately 7.1% for the year ended 31 December 2019, compared to that of 11.7% for the year ended 31 December 2018. The decrease was mainly due to the increase in administrative and other expenses, in particular, the Transfer Expenses, for the Year, as compared to the Previous Year.

Dividend

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: nil), in order to cope with the future business development of the Group.

Comparison between Business Objectives with Actual Business Progress

The following is a comparison of the Group's business strategies as set out in the Company's prospectus dated 16 December 2016 (the "**Prospectus**") with the actual business progress up to 31 December 2019:

Business strategies as set out in the Prospectus	Actual business progress up to 31 December 2019
— Expanding the production capacity	The Group has purchased 86 additional machineries for LED bead encapsulation.
— Developing the Group's sales channels	The Group has recruited five sales and marketing staff and in the process of exploring PRC and overseas markets.
— Reduction of the gearing ratio	The Group has fully repaid all bank loans in 2017 and successfully reduced the gearing ratio for the years ended 31 December 2017 and 2018. New bank loans were raised during the year ended 31 December 2019 for general working capital purpose.

One of the key risks and uncertainties facing the Group is technological risk. During the Year, the Group has continued to put emphasis on research and development and registration of 9 patents were further granted to Zhuhai HongGuang. As at 31 December 2019, the Group is the registered proprietor of 27 patents in the PRC.

Use of Proceeds

Based on the placing price of HK$0.63 per share, the net proceeds from the Listing, after deducting the underwriting commission and other estimated expenses, amounted to approximately HK$37.4 million. The Group intended to apply such net proceeds in accordance with the purposes set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. As at 31 December 2019, the Group's planned application and actual utilisation of the net proceeds is set out below:

Use of proceeds	**Net proceeds**	**Utilised**	**Unutilised**	**Expected timeline for utilising the unutilised proceeds**(Note)
	HK$ million	*HK$ million*	*HK$ million*	
Expansion of the Group's production capacity	21.7	21.7	—	N/A
Developing the Group's sales channels	0.8	0.6	0.2	On or before 31 December 2020
Repayment of bank loans	11.4	11.4	—	N/A
General working capital of the Group	3.5	3.5	—	N/A
	37.4	37.2	0.2	

Note: The expected timeline for utilising the unutilised proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on the current and future development of market conditions.

Liquidity, Financial Resources and Capital Structure

For the year ended 31 December 2019, the amount of net cash used by the Group in its operating activities is approximately RMB14.1 million as compared to that of approximately RMB46.8 million for the year ended 31 December 2018, primarily due to the greater increase in trade and bills receivables during the year ended 31 December 2019, as compared to the smaller increase in trade and bills receivables in the corresponding period in 2018.

As at 31 December 2019, the Group had net current assets of approximately RMB135.8 million (2018: approximately RMB130.2 million). The Group's current ratio as at 31 December 2019 was approximately 2.8 (2018: approximately 3.7).

As at 31 December 2019, the Group had total cash and bank balances of approximately RMB30.3 million (2018: approximately RMB49.8 million). The decrease in total cash and bank balances was mainly due to the application of approximately RMB14.1 million and RMB16.9 million in the operating activities and the investment activities respectively during the year.

As at 31 December 2019, the total available banking facilities of the Group were RMB15.0 million (31 December 2018: nil). The total drawn down of the banking facilities as at 31 December 2019 was approximately RMB12.9 million (31 December 2018: nil).

The shares of the Company were successfully listed on the GEM of the Stock Exchange on 30 December 2016 and the listing of the Company's shares has been transferred from the GEM to the Main Board of the Stock Exchange since 13 November 2019. There has been no change in the capital structure of the Company since 30 December 2016. The capital of the Company comprises only ordinary shares. As at 31 December 2019, the equity attributable to owners of the Company amounted to approximately RMB167.6 million (2018: approximately RMB150.2 million).

Return on Equity

Return on equity (i.e. net profit for the year divided by total equity of the year and multiplied by 100%) decreased from approximately 15.9% for the year ended 31 December 2018 to approximately 10.3% for the year ended 31 December 2019. Such decrease was mainly attributable to the decrease in net profit as a result of the increase in administrative and other expenses during the Year.

Return on Assets

Return on assets (i.e. net profit for the year divided by total assets of the year and multiplied by 100%) decreased from approximately 12.0% for the year ended 31 December 2018 to approximately 7.0% for the year ended 31 December 2019. Such decrease was mainly attributable to the decrease in net profit as a result of the increase in administrative and other expenses during the Year.

Current Ratio

Current ratio (i.e. total current assets at the end of the year divided by total current liabilities at the end of the year) decreased from approximately 3.7 as at 31 December 2018 to approximately 2.8 as at 31 December 2019, primarily due to the increase in (i) bank borrowings and (ii) other payables and accruals for the year ended 31 December 2019.

Gearing Ratio

The Group's gearing ratio (i.e. total debt at the end of the year divided by total equity at the end of the year and multiplied by 100%) as at 31 December 2019 was 7.7% (31 December 2018: nil).

Significant Investments

As at 31 December 2019, there was no significant investment held by the Group (2018: Nil).

Material Acquisitions and Disposals

The Group did not carry out any material acquisition nor disposal of any subsidiary during the year ended 31 December 2019.

Capital Commitments

As at 31 December 2019, the Group did not have any capital commitments for the acquisition of property, plant and equipment. (2018: approximately RMB1.0 million).

Charge on the Group's assets

As at 31 December 2019, the Group pledged the following assets for the issuance of bank acceptance bills by the Group:

(i) time deposits of nil (31 December 2018: approximately RMB3.0 million);

(ii) bank deposit of nil (31 December 2018: RMB1.0 million); and

(iii) financial assets at fair value through profit or loss of approximately RMB13.2 million (31 December 2018: approximately RMB6.9 million).

In addition, as at 31 December 2019, charges were created over the right-of-use assets of approximately RMB2.4 million under a lease arrangement (31 December 2018: nil).

Contingent Liabilities

As at 31 December 2019, the Group did not have any significant contingent liabilities.

Foreign Exchange Exposure

The Group's main operations are in the PRC with most of its transactions settled in RMB. The Directors are of the opinion that the Group's exposure to foreign exchange risk is insignificant. During the year ended 31 December 2019, the Group did not hedge any exposure to foreign exchange risk.

Employees and Remuneration Policies

As at 31 December 2019, the Group employed 156 employees (2018: 121 employees). Employee costs (including Directors' remuneration, wages, salaries, performance related bonuses, other benefits and contribution to defined contribution pension plans) amounted to approximately RMB9.1 million for the year ended 31 December 2019 (2018: approximately RMB7.9 million). The Group will endeavor to ensure that the employees' salary levels are in line with industry practice and prevailing market conditions and that the employees' overall remuneration is determined based on the performance of the Company and the employees.

Events after the Reporting Period

Except as disclosed elsewhere in this announcement, the Group has the following subsequent events undertaken by the Company or by the Group after 31 December 2019:

The outbreak of respiratory disease caused by the novel coronavirus (COVID-19) (the "Epidemic") that was first detected in the Wuhan City, PRC, has impacted the Group started from January 2020 as the Group's business operation is principally located in the PRC. As provinces and municipalities in the PRC have taken emergency public health measures and various actions to prevent the spread of the Epidemic, restriction on the work resumption date after the Chinese New Year Holidays was imposed. The Group's principal production factory, located in the Zhuhai City, PRC, has resumed operations on 10 February 2020 after the Chinese New Year Holidays and the suspension period prescribed by the relevant government authority. Due to the Epidemic, some of the Group's customers and suppliers have also experienced disruption and suspension of business operation and production after the Chinese New Year Holidays. As at the date of this announcement, the situation faced by the Group in relation to the Epidemic is likely to have a negative impact on the Group's short term financial results. Pending on the development of the Epidemic situation subsequent to the date of this announcement, further changes in economic conditions for the Group arising thereof may have further impact on the financial results of the Group, the extent of which could not be estimated as at the date of this announcement.

Purchase, Sales or Redemption of the Company's Listed Securities

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules as the code of conduct for dealing in securities of the Company by the Directors (the "**Required Standard of Dealings**"). Upon specific enquiries being made with all Directors, each of them confirmed that they have complied with the Required Standard of Dealings regarding securities transactions by the Directors for the year ended 31 December 2019.

Corporate Governance and Compliance with the Corporate Governance Code

The Company adopted the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules as its own code of corporate governance. Save for the provision A.2.1 of the CG Code, the Board is satisfied that the Company had complied with the CG Code for the year ended 31 December 2019.

CG Code provision A.2.1 stipulates that the roles of chairman and chief executive should separate and should not be performed by the same individual. Mr. Zhao Yi Wen is both the chairman of the Board and the chief executive officer of the Company. In view of Mr. Zhao Yi Wen being one of the founders of the Group and has been operating and managing Zhuhai HongGuang, the operating subsidiary of the Company, since 2010, the Board believes that it is in the best interest of the Group to have Mr. Zhao Yi Wen taking up both roles for effective management and business development.

CLOSURE OF REGISTER OF MEMBERS

To ascertain the members' entitlement to attend and vote at the forthcoming annual general meeting of the Company to be held on Friday, 15 May 2020, the register of members will be closed from Monday, 11 May 2020 to Friday, 15 May 2020, both days inclusive, during which period no transfer of shares can be registered. In order to be eligible to attend and vote at the meeting, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar, Boardroom Share Registrars (HK) Limited at Room 2103B, 21st Floor, 148 Electric Road, North Point, Hong Kong, for registration not later than 4:30 p.m. on Friday, 8 May 2020.

AUDIT COMMITTEE AND REVIEW OF ACCOUNTS

The audit committee of the Company (the "**Audit Committee**") has discussed and reviewed with management and the Group's auditor, BDO Limited, the annual consolidated financial statements of the Group for the year ended 31 December 2019. The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Chan Chung Kik, Lewis, Mr. Wu Wing Kuen, *B.B.S.* and Professor Chow Wai Shing, Tommy. Mr. Chan Chung Kik, Lewis, is the chairman of the Audit Committee who has appropriate professional qualifications and experience as required by the Listing Rules.

REVIEW OF THIS FINAL RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

By order of the Board
HongGuang Lighting Holdings Company Limited
Zhao Yi Wen
Chairman and Executive Director

Hong Kong, 27 March 2020

As at the date of this announcement, the Executive Directors are Mr. Zhao Yi Wen, Mr. Lin Qi Jian and Mr. Chan Wing Kin; the Non-executive Director is Mr. Chiu Kwai San; and the Independent Non-executive Directors are Professor Chow Wai Shing, Tommy, Mr. Wu Wing Kuen, B.B.S. and Mr. Chan Chung Kik, Lewis.

* *For identification purpose only*