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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 年報 2019

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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 GEM website at www.hkgem.com 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 Xiuyuan *(Chairwoman)*
Mr. JIA Xiaogang
Mr. WU Yong

REMUNERATION COMMITTEE

Mr. WU Yong *(Chairman)*
Ms. CHEN Xiuyan
Mr. JIA Xiaogang

NOMINATION COMMITTEE

Mr. JIA Xiaogang *(Chairman)*
Ms. CHEN Xiuyan
Mr. WU Yong

JOINT COMPANY SECRETARIES

Mr. WONG Cheung Ki Johnny *FCPA, FCIS, FCS*
Mr. WENG Weilin

AUTHORIZED REPRESENTATIVES

Mr. WEI Jiakun
Mr. WENG Weilin

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Mr. WEI Jiakun

AUDITOR

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Bank of China Limited

Jieyang Branch
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(Solicitors of Hong Kong)

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the board of directors (the "Board"), I am pleased 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 2019.

The year 2019 is an important year for the Group, for the Company has achieved encouraging financial results. In the year under review, the operating revenue of the Group recorded a year-on-year increase of 31% from 2018, maintaining the previous rapid growth trend. This shows that the development strategy formulated by the Group is in line with market expectations and conforms to the development of the industry.

The listing of shares of China Hongguang on GEM of The Stock Exchange of Hong Kong Limited 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.

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.

This spring, under the impact of the novel coronavirus disease (COVID-19) epidemic, industries in Mainland China postponed the resumption of work after the Chinese New Year holiday, and operations were only resumed in early March 2020. The impact of the COVID-19 epidemic has, to a certain extent, affected the development of Mainland China's real estate market in the first quarter of 2020, thus also triggering the slowdown of the development of the architectural glass industry. At present, under the orderly guidance of the Mainland Chinese government, the economic situation of Mainland China is seeing improvement and recovery. The Group will endeavor to seek acquisition or investment opportunities to enhance the value of China Hongguang, in order to resist the impact caused by the COVID-19 epidemic, and to enhance the Group's position and its value, and continue to create new growth drivers for the Group.

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.

Chairwoman and Executive Director
LIN Weishan

31 March 2020

INTRODUCTION

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

BUSINESS REVIEW

The Board is pleased to present the Group's annual results for the year ended 31 December 2019, together with the comparative figures for the corresponding year ended 31 December 2018.

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:

	2019		2018	
	RMB'000	**%**	RMB'000	%
– Sales of energy-efficient safety glass products	**179,606**	**89.7%**	116,157	76.3%
– Sales of smart glass products	**20,575**	**10.3%**	36,140	23.7%
	200,181	**100%**	152,297	100%

For the year ended 31 December 2019, revenue arising from energy-efficient safety glass products amounted to RMB179,606 thousand (2018: RMB116,517 thousand), representing 89.7% (2018: 76.3%) of our total revenue. The increase was mainly due to the sales of energy-efficient safety glass products driven by the research and development and application of two types of new coated glass technologies with upgraded specifications in late 2018, which is expected to become one of our major sources of revenue growth in the future.

For the year ended 31 December 2019, revenue arising from smart glass product amounted to RMB20,575 thousand (2018: RMB36,140 thousand).

The Group's total revenue increased 31% from RMB152,297 thousand for the year ended 31 December 2018 to RMB200,181 thousand for the year ended 31 December 2019. The increase was mainly due to the revenue growth from the production and sales of energy-efficient safety glass products.

Gross profit and gross profit margin

Our gross profit increased from RMB43,116 thousand for the year ended 31 December 2018 to RMB59,929 thousand for the year ended 31 December 2019. 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 with a slight growth (2019: 29.9%; 2018: 28.3%). The table below sets forth the breakdown of our gross profit and gross profit margin by product category for the periods indicated:

	2019		2018	
	RMB'000	**%**	RMB'000	%
Energy-efficient safety glass products	**53,506**	**29.8%**	32,423	27.9%
Smart glass products	**6,423**	**31.2%**	10,693	29.6%
Total gross profit/gross profit margin	**59,929**	**29.9%**	43,116	28.3%

The gross profit margin of energy-efficient safety glass products slightly increased from 27.9% to 29.8%; the gross profit margin of smart glass product slightly increased from 29.6% to 31.2%.

Other net income

The Group's other net income decreased from RMB8,591 thousand for the year ended 31 December 2018 to RMB2,356 thousand for the year ended 31 December 2019, which was mainly due to the decrease in government grants from RMB8,426 thousand in 2018 to RMB2,186 thousand in 2019.

Cost of sales

The Group's cost of sales increased from RMB109,181 thousand for the year ended 31 December 2018 to RMB140,252 thousand for the year ended 31 December 2019, which was mainly due to the increase in sales revenue.

Sales and marketing expense

The Group's sales and marketing expense slightly increased from RMB202 thousand for the year ended 31 December 2018 to RMB263 thousand for the year ended 31 December 2019, which was mainly due to our increased marketing efforts.

General and administrative expense

The Group's general and administrative expense increased from RMB12,755 thousand for the year ended 31 December 2018 to RMB27,239 thousand for the year ended 31 December 2019, which was mainly due to the increase in intermediary expenses in relation to the listing amounting to RMB9.7 million and the increased research and development costs.

Among which, our research and development costs increased from RMB7,707 thousand for the year ended 31 December 2018 to RMB8,804 thousand for the year ended 31 December 2019, which was mainly due to (1) our frequent experiments conducted on the application of polyionic liquid chromotropic material in 2019, leading to the increased consumption of raw materials for glass, and (2) more research activities jointly conducted with Chinese Academy of Sciences.

Finance costs

The Group's finance costs maintained at a similar level as last year, with a slight decrease from RMB2,258 thousand for the year ended 31 December 2018 to RMB2,228 thousand for the year ended 31 December 2019.

Staff costs

The Group's staff costs maintained at a similar level as last year, with a slight decrease from RMB6,348 thousand for the year ended 31 December 2018 to RMB6,007 thousand for the year ended 31 December 2019 mainly due to the increase in automation equipment and decrease in staff numbers.

Income tax expenses

The Group's income tax expenses increased from RMB4,727 thousand for the year ended 31 December 2018 to RMB5,716 thousand for the year ended 31 December 2019, 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 RMB26,657 thousand for the year ended 31 December 2019, representing a decrease of approximately 16% from the profit after tax for the year of RMB31,765 for the corresponding period in 2018, which was mainly because more intermediary expenses in relation to the listing incurred in 2019 amounting to RMB12,276 thousand approximately.

Net cash flow from operating activities

Our net cash used in operating activities was mainly attributable to: (i) the income tax paid of RMB3.7 million; (ii) an increase in trade and other receivables of RMB42.5 million; (iii) an increase in trade and other payables of RMB15.3 million; (iv) an decrease in contract liabilities of RMB2.9 million; and (v) an increase in inventory of RMB14.0 million based on business plan.

Net cash flow used in investing activities

Our net cash outflow from investing activities was RMB422 thousand for the year ended 31 December 2019 (2018: net cash outflow from investing activities was RMB18,514 thousand), which was mainly due to the decrease in loans to directors of RMB13 million.

Net cash flow from financing activities

Our net cash inflow from financing activities was RMB10,767 thousand for the year ended 31 December 2019 (2018: net cash inflow from financing activities was RMB5,396 thousand), which was mainly due to (i) an increase in proceeds from bank loans of RMB17 million; (ii) a decrease in proceeds from issuance of shares of RMB11.4 million.

* *For identification purposes only*

Human resources and remuneration policies

As at 31 December 2019, the Group employed a total of 73 full-time employees. For the year ended 31 December 2019, the Group's staff costs, including contributions to the defined contribution retirement scheme, salaries, wages and other benefits, amounted to approximately RMB6,007 thousand.

Liquidity and financial resources

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

As at 31 December 2019, the current ratio of the Group was 1.90, compared with 1.66 as at 31 December 2018. The cash and cash equivalents of the Group in aggregate amounted to RMB6,534 thousand as at 31 December 2019 (2018: RMB2,246 thousand).

For the year ended 31 December 2019, the bank loans of the Group amounted to RMB44,000 thousand (2018: RMB29,000 thousand), and the Group did not experience any withdrawal of facilities, default in payment of trade and other payables, bank and loans or breach of financial covenants.

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

Material investments

For the year ended 31 December 2019, the Group did not acquire or hold any significant investment (2018: nil).

Material acquisitions/disposals

For the year ended 31 December 2019, the Group did not have any material acquisition/disposal of subsidiaries and associated companies (2018: nil).

Foreign exchange risk

The principal activities of the Group are conducted in China, and the transactions of the Group is primarily denominated in RMB. The Group does not have any foreign currency hedging policies. However, the management monitors our foreign exchange risk and will consider hedging significant foreign currency exposure should the need arise. As at 31 December 2019 and 2018, 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 also 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.

Pledge of assets

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

For the year ended 31 December 2019, property, plant and equipment with net book values of RMB124 thousand (2018: RMB164 thousand) were pledged as security to obtain bank loans of RMB34,000,000 (2018: RMB29,000,000).

Comparison of business objectives with actual business progress

Since the shares of the Company listed on GEM of the Stock Exchange on 13 January 2020 and up to the date of this report, we are starting to implement our business objectives as set out in the section headed "Statement of Business Objectives and Use of Proceeds" of the prospectus of the Company dated 31 December 2019. Save as disclosed in this report, there are no significant events subsequent to 31 December 2019 which would materially affect the Group's operating and financial performance as of the date of the financial statements.

Disclosures under rules 17.22 to 17.24 of the GEM Listing Rules

As at 31 December 2019 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.

Prospects and outlook

For details please refer to page 28 in the Directors' Report herein.

Capital commitment

As at 31 December 2019, the Group had certain outstanding capital commitments at a contracted amount of RMB0 (2018: RMB0) for property, plant and equipment, and an amount authorized but not contracted for of RMB26,000 thousand (2018: RMB26,000 thousand).

Gearing ratio

As at 31 December 2019, the Group's gearing ratio (total loans and borrowings/total equity) was 39.6%, compared with 34.4% as at 31 December 2018.

Dividends

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: nil).

EXECUTIVE DIRECTORS

Mr. WEI Jiakun (魏佳坤) ("Mr. Wei"), aged 40, 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 15 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 40, 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 14 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 43, 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 12 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 29, 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 10 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 44, 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 17 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 63, 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 49, 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 an assistant professor of the university in August 2012. 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. LIN Gai (林改) ("Mr. Lin"), aged 43, is the deputy general manager of Hongguang Glass, and is primarily responsible for matters relating to production, research and development and quality control of the Group. Mr. Lin obtained his bachelor's degree in steel and iron metallurgy from Anhui University of Technology (安徽工業大學) in July 2001, and a master's degree in optical engineering from Sun Yat-Sen University (中山大學) in June 2013.

Mr. Lin has approximately 18 years of experience in the glass processing industry. Mr. Lin joined Hongguang Glass in March 2014 as a deputy general manager. Mr. Lin was employed as an engineer in September 2001, promoted as factory production manager in May 2005 and was a deputy manager of technology centre between May 2011 and February 2014 at Zhongshan Grandglass Industrial Company Limited* (中山市格蘭特實業有限公司). In January 2010, Mr. Lin obtained his certification as an engineer for glass coating from the Zhongshan Personnel Bureau* (中山市人事局), and in April 2014, he was certified as a senior engineer of building materials by the Human Resources and Social Security Department of Guangdong Province* (廣東省人力資源和社會保障廳). He was also appointed as a panel member of the China Glass Databank* (中國玻璃數據庫) by the China Construction Glass and Industrial Glass Association* (中國建築玻璃與工業玻璃協會) in September 2011. Mr. Lin was named "Outstanding Expert And Top-Notch Talent Of Jieyang"* (揭陽市優秀專家及拔尖人才) in February 2015 by Jieyang Municipal Government.

Mr. ZHENG Xubin (鄭旭斌) ("Mr. Zheng"), aged 42, is the deputy general manager of Hongguang Glass, and is primarily responsible for the sales and marketing activities of the Group. He has over 14 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"), aged 33, 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).

Mr. WONG Cheung Ki Johnny (王章旗) ("Mr. Wong"), aged 36, was appointed as the joint company secretary of the Company on 27 May 2019. Mr. Wong obtained his degree of bachelor of business administration in accounting from The Hong Kong University of Science and Technology in November 2005, and degree of master of corporate governance from The Hong Kong Polytechnic University in September 2016.

Mr. Wong has approximately 14 years of experience in the area of accounting and financial management. Mr. Wong is currently the sole proprietor of Jovial Wings CPA Company. Mr. Wong worked at Ernst & Young, Hong Kong from September 2005 to September 2007 as an accountant, and was promoted to senior accountant in October 2007. He was further promoted as manager at Ernst & Young Hua Ming, Beijing in October 2010 and worked until July 2012. From July 2012 to October 2015, Mr. Wong was the finance manager of Taubman Asia Management Limited. Mr. Wong is currently a company secretary of China MeiDong Auto Holdings Limited, Zheng Li Holdings Limited and Ascentage Pharma Group International, all companies are listed on the Stock Exchange. Mr. Wong is a fellow of The Hong Kong Institute of Certified Public Accountants, The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators).

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

* *For identification purposes only*

CORPORATE GOVERNANCE REPORT

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 The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 13 January 2020 (the "Listing Date") the Company was not required to comply with the requirements set out in the Corporate Governance Code (the "CG Code") and Corporate Governance Report contained in Appendix 15 to the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the year ended 31 December 2019. However, the Company has adopted the CG Code contained in Appendix 15 to the GEM Listing Rules as its own code of corporate governance. The Directors consider that since the Listing Date and up to the date of this report, the Company has complied with all the applicable code provisions set out in the CG Code.

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 since the Listing Date and up to the date of this report.

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 committee of the Company are set out below in this 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 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 committee 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.

During the year ended 31 December 2019, the Company held a board meeting to consider and approve the relevant resolutions in relation to the Listing. As the shares of the Company were listed on 13 January 2020, the Company was not required to comply with the code provision A.1.1 of the CG Code during the year ended 31 December 2019.

From the Listing Date to the date of publication of this annual report, a board meeting was held and the attendance of the individual Directors at this meeting is set out in the table below:

Name of Director	Attended/ Eligible to attend Board meeting
Mr. WEI Jiakun	1/1
Ms. LIN Weishan	1/1
Mr. CHEN Biming	1/1
Ms. LI Wanna	1/1
Ms. CHEN Xiuyan	1/1
Mr. JIA Xiaogang	1/1
Mr. WU Yong	1/1

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 Jiakun, 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 2019, 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 both on the websites of the 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.

Due to the fact that the shares of the Company were listed on 13 January 2020, the Audit Committee did not hold any meeting during the year ended 31 December 2019.

From the Listing Date to the date of publication of this annual report, the Audit Committee held one meeting and the Audit Committee has performed the following major works:

– considered and approved the audited consolidated results of the Company and its subsidiaries for the year ended 31 December 2019;

– considered and approved the accounting treatment adopted by the Group's annual report for the year ended 31 December 2019;

– considered and recommended acceptance of the audit committee report prepared by KPMG for the year ended 31 December 2019;

– reviewed the draft annual results announcement in relation to the audited consolidated results of the Company and its subsidiaries for the year ended 31 December 2019;

– considered the re-appointment of the external auditor (subject to shareholders' approval), and made a proposal to the board of directors;

– 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; and

– 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.

The attendance record of each committee member at the meeting is as follow:

Name of committee members	Attendance/ Number of Meeting
Ms. CHEN Xiuyuan	1/1
Mr. JIA Xiaogang	1/1
Mr. WU Yong	1/1

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 the date of publication of this annual report, 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 both on the websites of the 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.

Due to the fact that the shares of the Company were listed on 13 January 2020, the Remuneration Committee did not hold any meeting during the year ended 31 December 2019.

From the Listing Date to the date of publication of this annual report, the Remuneration Committee held one meeting during which 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 2019 (the "2019") and made recommendations to the Board on the 2019 discretionary bonus; and their respective remuneration packages for the year ending 31 December 2020; and

– considered and approved the recommendation of the remuneration packages of Non-Executive Directors (including Independent Non-Executive Directors) for the year ending 2020.

The attendance record of each committee member at the meeting is set out below:

Name of committee members	**Attendance/ Number of Meeting**
Mr. WU Yong	1/1
Ms. CHEN Xiuyan	1/1
Mr. JIA Xiaogang	1/1

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 2019 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 both on the websites of the 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.

Due to the fact that the shares of the Company were listed on 13 January 2020, the Nomination Committee did not hold any meeting during the year ended 31 December 2019.

From the Listing Date to the date of publication of this annual report, the Nomination Committee held one meeting during which 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 forthcoming annual general meeting;

– 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.

The attendance record of each committee member is set out below:

Name of committee members	Attendance/ Number of Meeting
Mr. JIA Xiaogang	1/1
Ms. CHEN Xiuyan	1/1
Mr. WU Yong	1/1

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 this 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.

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 2019, 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 seminars and/or 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 and disclosure provisions required of the GEM Listing Rules. As at 31 December 2019, 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 46 of this annual report.

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 and non-audit services provided by the auditor of the Group, KPMG, were as follows:

Nature of services	**2019 Amount RMB'000**
Audit services for 2019 Annual Audit	**1,800**
Audit services relating to the listing of the Company's shares on the Stock Exchange	**1,050**

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.

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 Directors were satisfied that effective internal control measures as appropriate to the Group for the year ended 31 December 2019 were implemented properly and that no significant areas of weaknesses came into attention.

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, Mr. WONG Cheung Ki Johnny confirmed that he has complied with all the qualifications, experience, and professional training requirements under the 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:	wzq@hongguang.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:	9th Floor, Wah Yuen Building 149 Queen's Road Central Central, Hong Kong
Fax:	(852) 3020 6430/(86) 06638864681
Email:	wzq@hongguang.hk / wwl@hongguang.hk

Shareholders of the Company ("Shareholders", and each a "Shareholder") 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 the Stock Exchange and the Company;

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

DIVIDEND POLICY

The Company has adopted a dividend policy on 31 March 2020 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 the 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 2019.

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 the 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 head "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 (the "Listing Date") by way of share offer (the "Listing").

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the Group are the manufacturing 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 9 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 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 47 of this annual report.

The Directors do not recommend the payment of final dividend for the year ended 31 December 2019 (2018: Nil).

OUTLOOK AND PROSPECTUS

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

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 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 specialization 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 increasing market demand for smart glass products in China.

This spring, under the impact of the novel coronavirus disease (COVID-19) epidemic, industries in Mainland China postponed the resumption of work after the Chinese New Year holiday, and operations were only resumed in early March 2020. The impact of the COVID-19 epidemic has, to a certain extent, affected the development of Mainland China's real estate market in the first quarter of 2020, thus also triggering the slowdown of the development of the architectural glass industry. At present, under the orderly guidance of the Mainland Chinese government, the economic situation of Mainland China is seeing improvement and recovery. The Group will endeavor to seek acquisition or investment opportunities to enhance the value of China Hongguang, in order to resist the impact caused by the COVID-19 epidemic, and to enhance the Group's position and its value, and continue to create new growth drivers for the Group.

SEGMENT INFORMATION

An analysis of the Group's performance for the year by operating segment is set out in note 4 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	8.7%	–
Five largest customers in aggregate	28.9%	–
The largest supplier	–	30.3%
Five largest suppliers in aggregate	–	78.9%

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 2019.

CHARITABLE DONATIONS

The Group did not make any charitable donations during the year (2018: Nil).

SUMMARY FINANCIAL INFORMATION

A summary of the published result and assets, liabilities of the Group for the last three financial years, as extracted from the consolidated financial statements, is set out on page 98. 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(b) 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.

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 financial year 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 article 84(1) of the Articles of Association, Mr. WEI Jiakun will retire by rotation and being eligible, will offer himself for re-election as the Director at the forthcoming annual general meeting (the "AGM").

In accordance with article 83(3) of the Articles of Association, Mr. CHEN Biming, Ms. LI Wanna, Ms. CHEN Xiuyan, Mr. JIA Xiaogang and Mr. WU Yong will retire and being eligible, will offer themselves for re-election as the Directors at 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 the Shares were listed on the GEM of the Stock Exchange on 13 January 2020, the Company was not required to keep any register under Part XV of the Securities and Futures Ordinance (the "SFO") as at 31 December 2019.

Subsequent to the Listing, 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 SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO) or which were required to be recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as follows:

Name	Nature of Interest	Total Number of shares held (L)(1)	Percentage of shareholding
Mr. WEI Jiakun ("Mr. Wei")	Settlor of a discretionary trust; Interest of spouse	150,750,000 (L)(2)	50.25%
Ms. LIN Weishan ("Ms. Lin")	Settlor of discretionary trust; Interest of spouse	150,750,000 (L)(2)	50.25%

Notes:

1. The letter "L" denotes the entity/person's long position in the shares of the Company.

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 2019 was the Company, or any of its subsidiaries or associated corporations, a party to any arrangement to enable the Directors and chief executive of the Company (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of the shares or underlying shares in, or debentures of, the Company or any of its associated corporations.

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

As the Shares were listed on the GEM of the Stock Exchange on 13 January 2020, the Company was not required to keep any register under Part XV of the SFO as at 31 December 2019. So far as is known to the Directors, the following persons (other than Directors or chief executives of the Company) immediately after the Listing, would have interest or short position in Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

Name	Capacity/nature of interest	Total number of shares held (L)[1]	Percentage of shareholding
Ming Liang Global Limited	Beneficial owner	150,750,000 (L)[2]	50.25%
Wei Family Limited	Interest in a controlled corporation	150,750,000 (L)[2]	50.25%
IQ EQ (BVI) Limited	Trustee of a trust	150,750,000 (L)[2]	50.25%
WEI Jiakun ("Mr. Wei")	Settlor of a discretionary trust; Interest of spouse	150,750,000 (L)[2]	50.25%
LIN Weishan ("Ms. Lin")	Settlor of a discretionary trust; Interest of spouse	150,750,000 (L)[2]	50.25%
LIU Rong ("Ms. Liu")	Settlor of a discretionary trust	150,750,000 (L)[2]	50.25%
Orient Success Ventures Limited	Beneficial owner	49,500,000 (L)[3]	16.50%
WANG Yaqing	Interest in a controlled corporation	49,500,000 (L)[3]	16.50%
Power Solution International Holdings Limited	Beneficial owner	24,750,000 (L)[4]	8.25%
LI Wei	Interest in a controlled corporation	24,750,000 (L)[4]	8.25%

Notes:

1. The letter "L" denotes the entity/person's long position in the Shares.

2. These Shares are held by Ming Liang Global Limited, the entire issued share capital of which is held by Wei Family Limited, which is in turn entirely held by IQ EQ (BVI) Limited, acting as the trustee of The Wei Family Trust. The Wei Family Trust is a discretionary trust established by Mr. Wei, Ms. Lin (the spouse of Mr. Wei) and Ms. Liu (the mother of Mr. Wei) as the settlors and the beneficiaries of The Wei Family Trust include Mr. Wei, Ms. Lin, Ms. Liu and certain family members of Mr. Wei. Each of Mr. Wei, Ms. Lin, Ms. Liu, IQ EQ (BVI) Limited and Wei Family Limited is deemed to be interested in the Shares held by Ming Liang Global Limited by virtue of the SFO.

3. These Shares are held by Orient Success Ventures Limited, which is beneficially owned by Ms. Wang Yaqing. Ms. Wang Yaqing is deemed to be interested in these Shares by virtue of the SFO.

4. These Shares are held by Power Solution International Holdings Limited, which is beneficially owned by Mr. Li Wei as to 50%, and the other two individuals as to 25% and 25%, respectively. Mr. Li Wei is deemed to be interested in these Shares by virtue of the SFO.

RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by the Group are set out in note 25 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

During the year, the Group has not entered into any connected transactions or continuing connected transactions that are not exempted under the Rules Governing the Listing of Securities on GEM of the Stock Exchange (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.

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 of the Company dated 31 December 2019 (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

Since the Shares were not listed until 13 January 2020, the Company did not maintain a directors and officers liability insurance during the year ended 31 December 2019. 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

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

No contract of significance was entered into between the Company, or one of its subsidiaries, and a Controlling Shareholder or any of its subsidiaries.

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 2019 are set out in note 19 to the consolidated financial statements.

THREE YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last three financial years is set out on page 98 of this annual report.

SHARE OPTIONS

The Company did not have share option scheme as at 31 December 2019.

DEBENTURE

No debenture was issued by the Company during the year ended 31 December 2019.

EQUITY-LINKED AGREEMENT

No equity-linked agreement was entered into by the Company or subsisted during the year ended 31 December 2019 which (i) will or may result in the Company issuing shares; or (ii) requires the Company to enter into an agreement that will or may result in the Company issuing shares were entered into by the Company.

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 Company's 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. There was no change in the intended use of net proceeds as previously disclosed in the Prospectus as follows:

- approximately 51.3%, or approximately HK$9.8 million, will be used to upgrade the Group's existing production facilities;

- approximately 10.8%, or approximately HK$2.1 million, will be used to repay the Group's bank loan it obtained from a commercial bank primarily for expanding its business. Such bank loan bears an annual interest rate of 5.7855%, and will be due and repayable by 29 May 2020;

- approximately 12.9%, or approximately HK$2.5 million, will be used to enhance the Group's research and development capabilities;

- approximately 14.4%, or approximately HK$2.8 million, will be used to enhance the infrastructure of information technology, production safety and environmental protection in order to upgrade the Group's Xianqiao Plant and ERP system;

- approximately 5.6%, or approximately HK$1.1 million, will be used to expand the Group's sales and marketing coverage; and

- approximately 5.0%, or approximately HK$0.9 million, will be used to provide funding for the Group's working capital and other general corporate purposes.

DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Group for the year ended 31 December 2019 are set out in the consolidated statement of changes in equity on page 50.

The Company's reserves available for distribution to the shareholders as at 31 December 2019 amounted to RMB108,734.

PROPERTIES

Particulars of the major properties and property interests of the Group are shown on note 11 to the consolidated financial statements.

RETIREMENT SCHEMES

Particulars of retirement schemes are set out in note 6(b) 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 27 of this annual report.

REVIEW BY THE AUDIT COMMITTEE

The audited financial statements of the Group for the year ended 31 December 2019 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the financial statements of the Group for the year ended 31 December 2019 comply with applicable accounting standards, the GEM Listing Rules and that adequate disclosures have been made.

EVENT AFTER THE REPORTING PERIOD

On 13 January 2020, the Shares were successfully listed on the GEM of the Stock Exchange with stock code 8646. Save as disclosed, there is no significant event after the reporting period of the Group.

AUDITOR

KPMG has been appointed as auditor of the Company for the year ended 31 December 2019.

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

On behalf of the Board
LIN Weishan
Chairwoman of the Board and Executive Director

Hong Kong, 31 March 2020

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report 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 ("the Group") set out on pages 47 to 97, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement 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 2019 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") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, 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.

Revenue recognition

Refer to note 4 to the consolidated financial statements and the accounting policies on pages 63 to 64 (note 2(q)).

The Key Audit Matter	How the matter was addressed in our audit
The Group's revenue is principally derived from the sales of glass products. Revenue from the sales of glass products is recognised when the performance obligation was satisfied by transferring the control over products promised in the contract, which is the point of time when the customer accepts the goods and signs on the goods delivery note. We identified revenue recognition on sales of glass products as a key audit matter because revenue is one of the key performance indicators of the Group and therefore there may be an incentive for management to advance or delay the timing of revenue recognition to the incorrect accounting period to meet performance expectations or targets.	Our audit procedures to assess the recognition of revenue on sale of glass products included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls in relation to revenue recognition; • inspecting key customer contracts to identify performance obligations and terms and conditions relating to goods acceptance and the right of return; assessing whether the revenue is recognised when a performance obligation is satisfied; assessing whether the payment terms indicate a significant financing component and assessing the Group's revenue recognition policies with reference to the requirements of the prevailing accounting standards; • comparing, on a sample basis, revenue transactions recorded during the year with the underlying goods delivery and acceptance notes, invoices, sales contracts and other underlying documents to assess whether the related revenue was recognised in accordance with the Group's revenue recognition accounting policies; • comparing, on a sample basis, specific revenue transactions recorded before and after the financial year end date with the underlying goods delivery and acceptance notes to assess whether the related revenue had been recognised in accordance with the terms of the sales contracts and the in the correct financial period; and • confirming directly with customers, on a sample basis, debtor balances as at the financial year end and sales transactions during the financial year.

Valuation of inventories

Refer to note 14 to the consolidated financial statements and the accounting policies on page 60 (note 2(g)).

The 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 2019, the net carrying value of inventories was RMB74 million. Management determines the lower of cost and net realisable value of inventories by considering the ageing profile, inventory obsolescence and the subsequent selling price of individual inventory item. We identified the valuation 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 judgement in determining an appropriate level of provision for inventories.	Our audit procedures to assess the valuation of inventories included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls relating to valuation of inventories; • comparing, on a sample basis, the purchase prices and quantities of inventories recorded by the Group with supplier invoices, goods delivery notes and goods receipt notes; • challenging the key assumptions concerning the absorption of overheads into the cost of production by assessing the appropriateness of overhead costs included in or excluded from the overhead absorption calculations and by comparing the absorption assumptions with the expected production volumes; • assessing, on a sample basis, the accuracy of the ageing profile of raw materials and finished goods held in inventory at the financial year end by checking the goods receipt notes and the finished goods records respectively; and • comparing, on a sample basis, the selling price of the finished goods subsequent to the reporting date to their carrying values of these inventories as at the financial year end.

Loss allowances for trade receivables

Refer to note 15 to the consolidated financial statements and the accounting policies on pages 56 to 59 (note 2(f)) and page 61 (note 2(i)).

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2019, the Group's gross trade receivables amounted to RMB44 million, against which a loss allowance of RMB3.6 million 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 expected credit loss based on estimated loss rates for each category of receivables. The estimated loss rates take into account the ageing of trade receivable balances, the repayment history of the Group's customers of different risk characteristics, current market conditions, customer-specific conditions, and forward-looking information. Such assessment involves significant management judgement and estimation. We identified the loss 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 loss allowance for trade receivables included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls relating to credit control, debt collection and estimating the credit loss allowance; • evaluating the Group's policy for estimating the credit loss allowance with reference to the requirements of the prevailing accounting standards; • assessing 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; • obtaining an understanding of the key parameters and assumptions of the expected credit loss model adopted by the management, including the basis of segmentation of the accounts receivable based on credit risk characteristics of customers and the historical default data in management's estimated loss rates; • assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data and evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information; • re-performing the calculation of the loss allowance as at 31 December 2019 based on the Group's credit loss allowance policies; and • inspecting, on a sample basis, cash receipts from debtors subsequent to the reporting date relating to trade receivable balances as at 31 December 2019.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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 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.

The directors are assisted by the Audit Committee in discharging their responsibilities 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. This report is made solely to you, as a body, 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 the Audit Committee 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 the Audit Committee 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, related safeguards.

From the matters communicated with the Audit Committee, 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.

The engagement partner on the audit resulting in this independent auditor’s report is Fung Ping Kwong.

KPMG
Certified Public Accountants
8th Floor, Prince’s Building
10 Chater Road
Central, Hong Kong

31 March 2020

	NOTES	**2019 RMB'000**	2018 RMB'000
Revenue	4	**200,181**	152,297
Cost of sales		**(140,252)**	(109,181)
Gross profit		**59,929**	43,116
Other net income	5	**2,356**	8,591
Sales and marketing expenses		**(263)**	(202)
General and administrative expenses		**(27,421)**	(12,755)
Profit from operations		**34,601**	38,750
Finance costs	6(a)	**(2,228)**	(2,258)
Profit before taxation	6	**32,373**	36,492
Income tax	7(a)	**(5,716)**	(4,727)
Profit for the year		**26,657**	31,765
Earnings per share	10		
Basic and diluted (RMB Yuan)		**0.12**	0.17
Profit for the year		**26,657**	31,765
Other comprehensive income for the year (after tax and reclassification adjustments):			
Items that will not be reclassified to profit or loss:			
Exchange differences on translation of financial statements of the Company		**317**	–
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries outside mainland China		**(135)**	–
Other comprehensive income for the year		**182**	–
Total comprehensive income for the year		**26,839**	31,765

The notes on pages 52 to 97 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019
(Expressed in Renminbi Yuan)

	NOTES	**31 December 2019 RMB'000**	31 December 2018 RMB'000
Non-current assets			
Property, plant and equipment	11	**46,149**	49,666
Right-of-use assets	12	**1,699**	1,816
Deferred tax assets	20(b)	**2,524**	2,345
		50,372	53,827
Current assets			
Inventories	14	**73,960**	59,972
Trade and other receivables	15	**59,998**	30,717
Cash and cash equivalents	16	**6,534**	2,246
		140,492	92,935
Current liabilities			
Trade and other payables	17	**(20,975)**	(17,189)
Contract liabilities	18	**–**	(2,873)
Bank loans	19	**(44,000)**	(29,000)
Income tax payable	20(a)	**(9,068)**	(6,922)
		(74,043)	(55,984)
Net current assets		**66,449**	36,951
Total assets less current liabilities		**116,821**	90,778
Non-current liabilities			
Deferred revenue	21	**(5,715)**	(6,511)
NET ASSETS		**111,106**	84,267

The notes on pages 52 to 97 form part of these financial statements.

	NOTES	**31 December 2019 RMB'000**	31 December 2018 RMB'000
CAPITAL AND RESERVES			
Share capital	22	**–***	–*
Reserves	22	**111,106**	84,267
TOTAL EQUITY		**111,106**	84,267

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

Approved and authorised for issue by the board of directors on 31 March 2020.

Wei Jiakun)
) *Directors*
Lin Weishan)

The notes on pages 52 to 97 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019
(Expressed in Renminbi Yuan)

		Attributable to equity shareholders of the Company						
	NOTES	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	PRC Statutory reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2018		4,380	–	–	2,190	–	39,050	45,620
Changes in equity for 2018:								
Profit for the year		–	–	–	–	–	31,765	31,765
Other comprehensive income		–	–	–	–	–	–	–
Total comprehensive income		–	–	–	–	–	31,765	31,765
Deemed distribution in connection with the Reorganisation	22(d)	(4,380)	–	(202)	–	–	–	(4,582)
Issuance of shares	22(c)	–*	11,464	–	–	–	–	11,464
Balance at 31 December 2018 and 1 January 2019		**–***	**11,464**	**(202)**	**2,190**	**–**	**70,815**	**84,267**
Changes in equity for 2019:								
Profit for the year		**–**	**–**	**–**	**–**	**–**	**26,657**	**26,657**
Other comprehensive income		**–**	**–**	**–**	**–**	**182**	**–**	**182**
Total comprehensive income		**–**	**–**	**–**	**–**	**182**	**26,657**	**26,839**
Balance at 31 December 2019		**–***	**11,464**	**(202)**	**2,190**	**182**	**97,472**	**111,106**

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

The notes on pages 52 to 97 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW

For the year ended 31 December 2019
(Expressed in Renminbi Yuan)

	NOTES	2019 RMB'000	2018 RMB'000
Operating activities			
Cash (used in)/generated from operations	16(b)	**(2,308)**	17,071
Tax paid		**(3,749)**	(2,368)
Net cash generated from operating activities		**(6,057)**	14,703
Investing activities			
Payment for the purchase of property, plant and equipment		**(4,869)**	(5,524)
Loans to directors		**–**	(13,047)
Proceeds from repayment of loans to directors		**4,441**	53
Interest received		**6**	4
Net cash used in investing activities		**(422)**	(18,514)
Financing activities			
Proceeds from new bank loans	16(c)	**50,000**	38,000
Repayment of bank loans	16(c)	**(35,000)**	(40,000)
Advance from related parties	16(c)	**6,770**	8,342
Repayment of advance from related parties	16(c)	**(8,775)**	(10,152)
Issuance of shares	22(c)	**–**	11,464
Interest paid	16(c)	**(2,228)**	(2,258)
Net cash generated from financing activities		**10,767**	5,396
Net increase in cash and cash equivalents		**4,288**	1,585
Cash and cash equivalents at 1 January	16(a)	**2,246**	661
Cash and cash equivalents at 31 December	16(a)	**6,534**	2,246

The notes on pages 52 to 97 form part of these 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 Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Upon the completion of a reorganization ("the Reorganisation") on 11 July 2018 to prepare for an initial public offering ("the IPO"), the Company became the holding company now comprising the Group. Details of the Reorganization are set out in the Company's prospectus dated 31 December 2019 in connection with the IPO of the Company's shares on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited ("the Listing"). The Company completed the Listing on 13 January 2020 (see note 27(b)). The Company and its subsidiaries (together, "the Group") are principally engaged in the manufacture and sales of architectural glass products in the People's Republic of China ("PRC").

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

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

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

Significant accounting policies adopted by the Group are disclosed below.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2019 comprise the Company and its subsidiaries.

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (the "Functional Currency"). Except for share and per share information, the financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousands, which is the presentation currency.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

(c) 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.

An investment in 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, an investment in a subsidiary is stated at cost less impairment losses (see note 2(f)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) 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 impairment losses (see note 2(f)(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(s)).

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, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

–	Plant and buildings	10 – 20 years
–	Machinery and equipment	2 – 10 years
–	Office and other equipment	3 – 10 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 impairment losses (see note 2(f)(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.

(e) Leased assets

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Leased assets *(Continued)*

As a lessee *(Continued)*

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 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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Leased assets *(Continued)*

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(q)(ii).

(f) 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, including loans to related parties); and

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

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

Measurement of ECLs (Continued)

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.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument as 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

Significant increases in credit risk (Continued)

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.

Basis of calculation of interest income

Interest income recognised in accordance with note 2(q)(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.

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)*

(f) 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).

– *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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) 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.

(h) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2(q)) 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(f)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 2(i)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2(q)). 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(i)).

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) 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(h)).

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

(j) 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(f)(i).

(k) 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.

(l) 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(s)).

(m) 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) 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.

(o) 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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Income tax *(Continued)*

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.

(p) 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.

(q) 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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.

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 goods and services promised 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(f)(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)*

(r) 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 Company 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.

(s) 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 is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(t) 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Related parties *(Continued)*

(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.

(u) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's 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 ACCOUNTING JUDGEMENT AND ESTIMATES

(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.

(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 balance sheet dates to ensure inventory is shown at the lower of cost and net realisable value.

(ii) Provision for expected credit losses of trade receivables

The Group uses a provision of 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, net of sales tax and value added tax.

(i) Disaggregation of revenue

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

	2019	2018
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products lines		
– Sales of energy-efficient safety glass products	**179,606**	116,157
– Sales of smart glass products	**20,575**	36,140
	280,181	152,297

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

The Group's customer base is diversified. There is no individual customer with whom transactions have exceeded 10% of the Group's revenues for the years ended 31 December 2019 and 2018.

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

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts for glass products such that the Group does not disclose information about revenue that the Group will be entitled to when it satisfied the remaining performance obligations under the contracts for sales of glass products that had an original expected duration of one year or less.

(b) Segment reporting

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

5 OTHER NET INCOME

	2019 RMB'000	2018 RMB'000
Interest income	**6**	4
Government grants (i)	**2,186**	8,426
Rentals from operating leases	**199**	199
Foreign exchange losses	**(3)**	(35)
Others	**(32)**	(3)
	2,356	8,591

(i) Government grants mainly includes: (a) unconditional grants received from local government to encourage the Group's development; (b) amortisation of deferred revenue for grants relating to compensation of assets costs.

6 PROFIT BEFORE TAXATION

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

(a) Finance costs

	2019 RMB'000	2018 RMB'000
Interest on bank loans and other borrowings (note 16(c))	**2,228**	2,258
	2,228	2,258

(b) Staff costs

	2019 RMB'000	2018 RMB'000
Contributions to defined contribution retirement plan (i)	**990**	1,008
Salaries, wages and other benefits	**5,017**	5,340
	6,007	6,348

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

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 TAXATION *(Continued)*

(c) Other items

	2019	2018
	RMB'000	RMB'000
Depreciation of property, plant and equipment	**7,826**	7,217
Depreciation of right-of-use assets	**117**	117
Operating lease charges	**–**	16
Provision/(reversal) of impairment losses on trade and other receivables	**1,364**	(1,135)
Auditors' remuneration	**2,850**	525
Research and development costs (i)	**8,804**	7,707
Cost of inventories (ii) (note 14(a))	**140,252**	109,181

(i) Research and development costs included staff costs of RMB711,000, RMB764,000, and depreciation of RMB1,984,000, RMB1,644,000, for the year ended 31 December 2019 and 2018, which are also included in the respective total amounts disclosed separately above or in note 6(b).

(ii) Cost of inventories included staff costs of RMB3,934,000 and RMB4,133,000, and depreciation of RMB4,873,000 and RMB4,449,000, for the year ended 31 December 2019 and 2018, which are also included in the respective total amounts disclosed separately above or in note 6(b).

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2019	2018
	RMB'000	RMB'000
Current tax		
Provision for PRC income tax for the year	**5,895**	4,830
	5,895	4,830
Deferred tax		
Origination and reversal of temporary differences	**(179)**	(103)
	(179)	(103)
	5,716	4,727

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(Continued)*

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	NOTE	**2019 RMB'000**	2018 RMB'000
Profit before taxation		**32,373**	36,492
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned		**11,145**	9,133
Tax effect of non-deductible expenses		**33**	36
Tax effect of preferential tax rate	(iii)	**(3,811)**	(3,151)
Additional deduction for qualified research and development expenses		**(1,651)**	(1,291)
Actual tax expense		**5,716**	4,727

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

(ii) No provision for Hong Kong Profits Tax was made for the subsidiary incorporated in Hong Kong as the subsidiary did not have income subject to Hong Kong Profits Tax during the reporting period.

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

(iv) Under the Corporate Income Tax (CIT) Law of the PRC and its relevant regulation, an additional 75% 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:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Contributions to retirement benefit schemes RMB'000	2019 Total RMB'000
Executive directors				
Ms. Lin Weishan	**–**	**100**	**22**	**122**
Mr. Wei Jiakun	**–**	**150**	**33**	**183**
Mr. Chen Biming	**–**	**63**	**14**	**77**
Ms. Li Wanna	**–**	**63**	**14**	**77**
	–	**376**	**83**	**459**

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Contributions to retirement benefit schemes RMB'000	2018 Total RMB'000
Executive directors				
Ms. Lin Weishan	–	111	22	133
Mr. Wei Jiakun	–	166	33	199
	–	277	55	332

Mr. Chen Biming and Ms. Li Wanna were appointed as executive directors of the Company on 27 May 2019.

After the year end, Ms. Chen Xiuyan, Mr. Jia Xiaogang and Mr. Wu Yong were appointed as independent non-executive directors of the Company.

No directors of the Company waived or agreed to waive any remuneration during the year.

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

Of the five individuals with the highest emoluments, two (2018: two) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other three (2018: three) individuals are as follows:

	2019 **RMB'000**	2018 RMB'000
Salaries and other emoluments	**303**	333
Retirement scheme contributions	**65**	66
	368	399

The emoluments of the three (2018: three) individuals with the highest emoluments are within the following bands:

	2019 **Number of individuals**	2018 Number of individuals
RMB Nil – RMB1,000,000	**3**	3

10 EARNINGS PER SHARE

(a) Basic and diluted earnings per share

The calculation of basic and diluted earnings per share is based on the profit attributable to equity shareholder of the Company of RMB26,657,000 (2018: RMB31,765,000), and 225,000,000 ordinary shares in issue during 2019 (2018: the weighted average of 187,875,000 ordinary shares), after adjusting the capitalisation issue occurred after the end of the reporting period, calculated as follows:

(i) Weighted average number of ordinary shares

	2019	2018
Shares in issue on January	**100**	1
Effect of share issuance to the controlling shareholders on 11 July and 12 July 2018 (note (i) below)	**–**	66
Effect of share issuance to pre-IPO investors on 17 July 2018 (note (i) below)	**–**	17
Effect of capitalisation issue (notes (i) and (ii) below)	**224,999,900**	187,874,916
Weighted average number of ordinary shares	**225,000,000**	187,875,000

Notes:

(i) As described in note 22(b), 66 bonus shares were issued to the controlling shareholder of the Company immediately before the share issuance to pre-IPO investors on 17 July 2018 for cash.

(ii) The number of ordinary shares outstanding before the capitalisation issue completed on 13 January 2020 (note 27(a)) was adjusted for the proportionate increase in the number of ordinary shares outstanding without a corresponding change in resources, as if the capitalisation issue had occurred at the beginning of the earliest period presented. The impact of the bonus issue of 66 shares to the controlling shareholder was also retrospectively reflected for the year ended 31 December 2018.

There were no dilutive potential ordinary shares for the years ended 31 December 2019 and 2018 and therefore diluted earnings per share are same as the basic earnings per share.

11 PROPERTY, PLANT AND EQUIPMENT

	Plant and buildings RMB'000	Machinery and equipment RMB'000	Office and other equipment RMB'000	Total RMB'000
Cost:				
At 1 January 2018	7,128	64,890	4,146	76,164
Additions	–	4,777	–	4,777
At 31 December 2018 and 1 January 2019	7,128	69,667	4,146	80,941
Additions	–	3,108	1,201	4,309
At 31 December 2019	7,128	72,775	5,347	85,250
Accumulated depreciation:				
At 1 January 2018	4,772	17,300	1,986	24,058
Charge for the year	380	6,093	744	7,217
At 31 December 2018	5,152	23,393	2,730	31,275
At 1 January 2019	5,152	23,393	2,730	31,275
Charge for the year	249	6,680	897	7,826
At 31 December 2019	5,401	30,073	3,627	39,101
Net book value:				
At 31 December 2019	1,727	42,702	1,720	46,149
At 31 December 2018	1,976	46,274	1,416	49,666

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

Property, plant and equipment with net book value of RMB124,000 (2018: RMB164,000) were pledged as security for bank loans amounting to RMB34,000,000 (2018: RMB29,000,000) as at 31 December 2019.

The Group has not obtained property ownership certificates for certain plant and buildings with net book value of RMB101,000 (2018: RMB124,000) as at 31 December 2019.

12 RIGHT-OF-USE ASSETS

	Land use right RMB'000
Cost:	
At 1 January and 31 December 2018 and 1 January and 31 December 2019	4,058
Accumulated depreciation:	
At 1 January 2018	2,125
Charge for the year	117
At 31 December 2018	2,242
At 1 January 2019	2,242
Charge for the year	117
At 31 December 2019	2,359
Net book value:	
At 31 December 2019	1,699
At 31 December 2018	1,816

Right-of-use assets represent costs for obtaining the right to use PRC leasehold land on which the Group's plant and buildings are located for 22–50 years.

The Group has not obtained title owner certificates for land use rights with net book value of RMB1,199,000 (2018: RMB1,298,000) as at 31 December 2019.

13 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	Registered capital/issued and fully paid-up capital	Equity attribute to the Company			Principal activity
			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	RMB4,380,000/ RMB4,380,000	100%	–	100%	Manufacturing and sales of architectural glass products

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

14 INVENTORIES

	2019 RMB'000	2018 RMB'000
Inventories		
Glass manufacturing		
– Raw materials	**17,040**	15,021
– Finished goods	**56,920**	44,951
	73,960	59,972

(a) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2019 RMB'000	2018 RMB'000
Carrying amounts of inventories sold	**140,252**	109,181
Cost of inventories directly recognised as research and development expenses	**5,195**	4,858
	145,447	114,039

15 TRADE AND OTHER RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade debtors, net of loss allowance	**40,559**	6,598
Amounts due from related parties – non-trade (note 25)	**–**	13,126
Financial assets measured at amortised cost	**40,559**	19,724
Deposits and prepayments*	**19,439**	10,993
	59,998	30,717

* As at 31 December 2019, listing expenses amounting to RMB3,749,000 were recorded as prepayments which were expected to be accounted for as a deduction of equity upon the completion of the Listing.

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follows:

	2019 RMB'000	2018 RMB'000
Within 3 months	**29,682**	4,315
3 to 6 months	**10,294**	2,252
6 to 12 months	**583**	31
	40,559	6,598

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

16 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2019 RMB'000	2018 RMB'000
Cash at bank and on hand	**6,534**	2,246

(b) Reconciliation of profit before taxation to cash generated from operations:

	NOTES	2019 RMB'000	2018 RMB'000
Profit before taxation		**32,373**	36,492
Adjustments for:			
Depreciation of property, plant and equipment	6(c)	**7,826**	7,217
Depreciation of right-of-use assets	6(c)	**117**	117
Finance costs	6(a)	**2,228**	2,258
Interest income		**(6)**	(4)
Changes in working capital:			
Increase in inventories		**(13,988)**	(29,160)
(Increase)/decrease in trade and other receivables		**(42,459)**	1,362
Increase/(decrease) in trade and other payables		**15,270**	(1,200)
(Decrease)/increase in contact liabilities		**(2,873)**	925
Decrease in deferred revenue		**(796)**	(936)
Cash (used in)/generated from operations		**(2,308)**	17,071

16 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION
(Continued)

(c) 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 cash flow statement as cash flows from financing activities.

	Bank loans RMB'000 (note 19)	Amounts due to related parties – non-trade RMB'000 (note 25)	Interest payable RMB'000	Total RMB'000
At 31 December 2018 and 1 January 2019	**29,000**	**9,551**	**–**	**38,551**
Changes from financing cash flows:				
Proceeds from new bank loans	**50,000**	**–**	**–**	**50,000**
Repayment of bank loans	**(35,000)**	**–**	**–**	**(35,000)**
Advance from related parties	**–**	**6,770**	**–**	**6,770**
Repayment of advance from related parties	**–**	**(8,775)**	**–**	**(8,775)**
Interest paid	**–**	**–**	**(2,228)**	**(2,228)**
Total changes from financing cash flows	**15,000**	**(2,005)**	**(2,228)**	**10,767**
Exchange adjustments	**–**	**41**	**–**	**41**
Other changes:				
Settlement by netting of liabilities (i)	**–**	**(7,587)**	**–**	**(7,587)**
Interest expenses (note 6(a))	**–**	**–**	**2,228**	**2,228**
Total other changes	**–**	**(7,587)**	**2,228**	**(5,359)**
At 31 December 2019	**44,000**	**–**	**–**	**44,000**

16 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION
(Continued)

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

(i) On 31 January 2019, the Company, Hongguang HK, Wei Jiakun and Orient Success Ventures Limited, one of the Pre-IPO investors, entered into an agreement that Wei Jiakun shall make the payment on behalf of the Company and Hongguang HK to settle their payables due to Orient Success Ventures Limited amounting to HK$2,800,000.

On 3 June 2019, Hongguang HK, Wei Jiakun and Lin Weishan entered into an agreement that Wei Jiakun shall make the payment on behalf of Hongguang HK to settle its payables due to Lin Weishan amounting to HK$185,000.

On 5 June 2019, Hongguang Glass, Hongguang HK and Wei Jiakun entered into an agreement to net-off the following receivables and payables within the three parties: (i) receivables of Hongguang HK due from Wei Jiakun amounting to RMB9,894,000; (ii) payables of Hongguang HK due to Wei Jiakun amounting to RMB8,736,000; and (iii) payables of Hongguang Glass due to Wei Jiakun amounting to RMB1,158,000.

	Bank loans RMB'000 (note 19)	Amounts due to related parties – non-trade RMB'000 (note 25)	Interest payable RMB'000	Total RMB'000
At 1 January 2018	31,000	11,326	–	42,326
Changes from financing cash flows:				
Proceeds from new bank loans	38,000	–	–	38,000
Repayment of bank loans	(40,000)	–	–	(40,000)
Advance from related parties	–	8,342	–	8,342
Repayment of advance from related parties	–	(10,152)	–	(10,152)
Interest paid	–	–	(2,258)	(2,258)
Total changes from financing cash flows	(2,000)	(1,810)	(2,258)	(6,068)
Exchange adjustments	–	35	–	35
Other changes:				
Interest expenses (note 6(a))	–	–	2,258	2,258
Total other changes	–	–	2,258	2,258
At 31 December 2018	29,000	9,551	–	38,551

17 TRADE AND OTHER PAYABLES

	31 December 2019 RMB'000	31 December 2018 RMB'000
Trade payable	**2,513**	752
Other payables and accruals	**18,462**	6,886
Amounts due to related parties – non-trade (note 25(b))	**–**	9,551
Financial liabilities measured at amortised cost	**20,975**	17,189

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

The amounts due to related parties are unsecured, non-interest bearing and repayable on demand.

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

	2019 RMB'000	2018 RMB'000
Within 1 month	**1,136**	752
1 to 3 months	**630**	–
Over 3 months	**747**	–
	2,513	752

18 CONTRACT LIABILITIES

	2019 RMB'000	2018 RMB'000
– Billings in advance of performance	**–**	2,873
	–	2,873

When the Group receives a deposit before the production activity commences this will give rise to contract liabilities at the start of a contract, until the revenue recognised when control over a product transferred to the customers. The amount of the deposit, if any, was negotiated on a case by case basis with customers.

19 BANK LOANS

At 31 December 2019, the bank loans were repayable as follows:

	2019 RMB'000	2018 RMB'000
Within 1 year or on demand	**44,000**	29,000
	44,000	29,000

At 31 December 2019, the bank loans and overdrafts were secured as follows:

	2019 RMB'000	2018 RMB'000
Bank loans		
– secured (i)	**44,000**	29,000

(i) Secured bank loans of RMB44,000,000 as at 31 December 2019 were guaranteed by Ms. Lin Weishan, Mr. Wei Jiakun and Ms. Liu Rong (hereinafter referred to as the "Controlling Shareholders").

Secured bank loans of RMB29,000,000 as at 31 December 2018 were guaranteed by the Controlling Shareholders and a third party, Jieyang Hongfu Glass Co., Ltd. ("Jieyang Hongfu"). In addition, RMB16,000,000 out of the total secured bank loans as at 31 December 2018 were additionally guaranteed by another related party as at 31 December 2018.

In addition to the above guarantees, bank loans of RMB34,000,000 (2018: RMB13,000,000) were secured by the Group's property, plant and equipment (see note 11) as at 31 December 2019.

(ii) As at 31 December 2019, bank loans carried interest in the range of 4.30%–7.00% (2018: 5.87%–6.53%).

20 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Balance at 1 January	**6,922**	4,460
Provision for current income tax for the year (note 7(a))	**5,895**	4,830
Payment made during the year	**(3,749)**	(2,368)
Balance at 31 December	**9,068**	6,922

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 arising from:	**Accruals and provisions** RMB'000	**Deferred revenue** RMB'000	**Total** RMB'000
At 1 January 2018	1,125	1,117	2,242
Credited/(charged) to profit or loss	243	(140)	103
At 31 December 2018 and 1 January 2019	1,368	977	2,345
Credited/(charged) to profit or loss	298	(119)	179
At 31 December 2019	1,666	858	2,524

(ii) Reconciliation to the consolidated statement of financial position

	2019 **RMB'000**	2018 RMB'000
Net deferred tax asset recognised in the consolidated statement of financial position	**2,524**	2,345
Net deferred tax liability recognised in the consolidated statement of financial position	**–**	–
	2,524	2,345

(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 as at 31 December 2019 in respect of the undistributed earnings of RMB109,747,000 (2018: RMB70,882,000) 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

	2019 **RMB'000**	2018 RMB'000
Government grants	**5,715**	6,511

Government grants are related to the purchase, construction or acquisition of the long-term assets by the Group.

22 CAPITAL, RESERVES AND DIVIDENDS

(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

	NOTES	**Share capital** RMB'000	**Share premium** RMB'000	**Exchange reserve** RMB'000	**Retained profits/ (Accumulated loss)** RMB'000	**Total** RMB'000
Balance at 1 January 2018	26	–*	–	–	–*	–*
Changes in equity for 2018:						
Total comprehensive income for the year		–	–	–	34	34
Issuance of shares		–	11,464	–	–	11,464
Balance at 31 December 2018 and 1 January 2019		–*	11,464	–	34	11,498
Changes in equity for 2019:						
Total comprehensive income for the year		–	–	317	(12,867)	(12,550)
Balance at 31 December 2019	26	–*	11,464	317	(12,833)	(1,052)

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

(Expressed in Renminbi Yuan)

22 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(b) Share capital

	Number of shares	*HK$*	*RMB*
Authorised (ordinary shares of HK$0.01 each):			
At 1 January 2018 and 31 December 2018	38,000,000	380,000	335,160
At 31 December 2019	1,000,000,000	10,000,000	8,994,000
Issued and fully paid:			
At 1 January 2018	1	0.01	0.01
Issuance of shares	99	0.99	0.87
At 31 December 2018, 1 January 2019 and 31 December 2019	100	1.00	0.88

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.

Upon the completion of the Reorganisation on 11 July 2018, the Company became the holding company of the companies comprising the Group. The Company then allotted and issued 59 shares and 7 shares to Ming Liang Global, the controlling shareholder of the Company, at the par value of HK$0.01 per share on 11 July 2018 and 12 July 2018, respectively. On 17 July, 2018, the Company completed pre-IPO investments to 2 investors by allotting and issuing 33 shares at a total consideration of HK$13,200,000 (equivalent to approximately RMB11,464,000).

For the purpose of the consolidated financial statements, the share capital of the Group as at 1 January 2018 represents the aggregate amount of the paid-in capital of all the entities comprising the Group as at that date, after elimination of investments in subsidiaries. The share capital of the Group as at 31 December 2018 and 2019 represents the share capital of the Company.

(c) Share premium

The Share premium represents the difference between the par value of consideration received for 33 shares issued to two pre-IPO investors in July 2018. Under the Companies Law of the Cayman Islands, the share premium account of the Company is distributable to the shareholders of the Company.

22 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(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) Dividends

No dividends attributable to the previous financial year was approved and paid during the year.

No final dividend attributable to the year was proposed after the end of the reporting period.

(g) 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.

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, less cash and cash equivalents. Adjusted capital represents total equity attributable to equity shareholders of the Company.

During the years ended 31 December 2019, 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.

22 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(g) Capital management *(Continued)*

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 2019 RMB'000**	31 December 2018 RMB'000
Bank loans	19	**44,000**	29,000
Total debt		**44,000**	29,000
Less: Cash and cash equivalents	16(a)	**(6,534)**	(2,246)
Adjusted net debt		**37,466**	26,754
Total equity attributable to equity shareholders of the Company		**111,106**	84,267
Adjusted capital		**111,106**	84,267
Adjusted net debt-to-capital ratio		**34%**	32%

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

Exposure to credit, liquidity, interest rate and currency 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 2019 and 2018, 38.2% and 29.3% 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 due within 60 days from the date of delivery. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables and contract assets 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 and contract assets:

		2019	
	Expected loss rate %	**Gross carrying amount RMB'000**	**Loss allowance RMB'000**
Current and 0–270 days past due	**5%**	**42,694**	**2,135**
271–450 days past due	**50%**	**–**	**–**
Over 450 days past due	**100%**	**1,478**	**1,478**
		44,172	**3,613**

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

(a) Credit risk *(Continued)*

Trade receivables *(Continued)*

	2018		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current and 0–270 days past due	5%	6,945	347
271–450 days past due	50%	–	–
Over 450 days past due	100%	1,902	1,902
		8,847	2,249

Expected loss rates are based on actual loss experience over the past years. 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 and contract assets during the year is as follows:

	2019 **RMB'000**	2018 RMB'000
Balance at 1 January	**2,249**	3,384
Impairment losses recognised during the year	**1,788**	–
Impairment losses reversed during the year	**(424)**	(1,135)
Balance at 31 December	**3,613**	2,249

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 rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	As at 31 December 2019 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**
Bank loans	**45,090**	**–**	**45,090**	**44,000**
Trade and other payables	**20,975**	**–**	**20,975**	**20,975**
	66,065	**–**	**66,065**	**64,975**

	As at 31 December 2018 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
Bank loans	30,788	–	30,788	29,000
Trade and other payables	17,189	–	17,189	17,189
	47,977	–	47,977	46,189

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. 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.

	2019		2018	
	Effective interest rate %	**RMB'000**	Effective interest rate %	RMB'000
Fixed rate borrowings:				
Bank loans	**4.30%–7.00%**	**35,000**	–	–
Variable rate borrowings:				
Bank loans	**4.80%–7.00%**	**9,000**	5.87%–6.53%	29,000
Total borrowings		**44,000**		29,000
Fixed rate borrowings as a percentage of total borrowings		**80%**		0%

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

(c) Interest rate risk *(Continued)*

(ii) Sensitivity analysis

At 31 December 2019, 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 profits by approximately RMB76,500 (2018: RMB247,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis as 2018.

(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 cost or amortised cost. Their carrying amounts were not materially different from their fair values as at 31 December 2019 and 2018.

24 COMMITMENTS

(a) Capital commitments

	2019 **RMB'000**	2018 RMB'000
Contracted for	**–**	–
Authorised but not contracted for	**26,000**	26,000
	26,000	26,000

25 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the financial statements, the Group entered into the following material 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**
Lin Weishan (林偉珊)	One of the Controlling Shareholders
Wei Jiakun (魏佳坤)	One of the Controlling Shareholders
Liu Rong (劉茸)	One of the Controlling Shareholders
Orient Success Ventures Limited (東勝創投有限公司)	One of the Investors
Chen Biming (陳壁明)	Executive director
Li Wanna (李婉娜)	Executive director
Lin Gai (林改)	A member of the key management personnel
Zheng Xubin (鄭旭斌)	A member of the key management personnel
Hongguang Mirror (揭陽市東山區宏光鏡藝廠)	Company controlled by Wei Jiakun and Liu Rong

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

25 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(a) Significant related party transactions

	2019 RMB'000	2018 RMB'000
Advances from related parties:		
Lin Weishan	**248**	4,841
Wei Jiakun	**6,522**	1,048
Orient Success Ventures Limited	**–**	2,453
	6,770	8,342

	2019 RMB'000	2018 RMB'000
Repayments of advances from related parties:		
Lin Weishan	**5,036**	110
Wei Jiakun	**8,863**	876
Liu Rong	**–**	9,166
Orient Success Ventures Limited	**2,463**	–
	16,362	10,152

	2019 RMB'000	2018 RMB'000
Loans to directors:		
Wei Jiakun	**–**	13,047

	2019 RMB'000	2018 RMB'000
Repayment of loans to directors:		
Wei Jiakun	**13,126**	53

Advances from related parties and loans to directors of the Group are unsecured, interest-free and have no fixed term of repayment.

25 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Balances with related parties

As at the end of the respective reporting period, the Group had the following balances with related parties:

	2019 RMB'000	2018 RMB'000
Amounts due to (non-trade):		
Lin Weishan	–	4,766
Wei Jiakun	–	2,332
Orient Success Ventures Limited	–	2,453
	–	9,551

	2019 RMB'000	2018 RMB'000
Amounts due from (non-trade):		
Wei Jiakun	–	13,126

(c) Guarantees provided by related parties

	2019 RMB'000	2018 RMB'000
Controlling Shareholders	**44,000**	29,000
Hongguang Mirror	–	16,000

(d) 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:

	2019 RMB'000	2018 RMB'000
Short-term employee benefits	**576**	638

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

26 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	NOTE	**31 December 2019 RMB'000**	31 December 2018 RMB'000
Non-current assets			
Investments in a subsidiary		**–***	–*
		–*	–*
Current assets			
Trade and other receivables		**9,936**	13,974
Cash and cash equivalents		**–***	–*
		9,936	13,974
Current liabilities			
Trade and other payables		**(10,988)**	(2,476)
		(10,988)	(2,476)
Net current (liabilities)/assets		**(1,052)**	11,498
Total assets less current liabilities		**(1,052)**	11,498
NET (LIABILITIES)/ASSETS		**(1,052)**	11,498
CAPITAL AND RESERVES	22(a)		
Share capital		**–***	–*
Reserves		**(1,052)**	11,498
TOTAL EQUITY		**(1,052)**	11,498

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

Approved and authorised for issue by the board of directors on 31 March 2020.

Wei Jiakun)
) *Directors*
Lin Weishan)

(Expressed in Renminbi Yuan)

27 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Capitalisation issue

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.

(b) Issue of ordinary shares by initial public offering

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 of the Company's shares on the GEM ("GEM") of the Stock Exchange of Hong Kong Limited.

(c) Impact of the coronavirus on the business operation

The outbreak of coronavirus epidemic (COVID-19) since January 2020 has brought about additional uncertainties in the Group's operating environment in China. As far as the Group's businesses are concerned, the COVID-19 epidemic caused postponement in resuming the Group's production and operation after the lunar new year holiday in the PRC. As the Group has been taking measures to ensure health and safety of the staff and minimise the impact of the COVID-19 epidemic on the Group's operation and performance, the Group has been able to gradually resume commencement of production since end of February 2020. The Group will monitor the developments of COVID-19 epidemic closely, assess and react actively to its impacts on the financial position and operating results of the Group.

28 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2019, the directors consider the immediate parent and ultimate holding company of the Group to be Ming Liang Global Limited, which is incorporated in the British Virgin Islands and beneficially owned by Wei Jiakun, Lin Weishan and Liu rong, and it does not produce financial statements available for public use.

29 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2019

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, *Definition of a business*	1 January 2020
Amendments to HKAS 1 and HKAS 8, *Definition of material*	1 January 2020

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

FINANCIAL SUMMARY

RESULTS

	2019 RMB'000	2018 RMB'000	2017 RMB'000
Revenue	**200,181**	152,297	117,632
Profit before taxation	**32,373**	36,492	26,701
Income Tax	**(5,716)**	(4,727)	(3,439)
Profit for the year	**26,657**	31,765	23,262

ASSETS AND LIABILITIES

	2019 RMB'000	2018 RMB'000	2017 RMB'000
Total assets	**190,864**	146,762	106,839
Total liabilities	**79,758**	62,495	61,219
Total equity	**111,106**	84,267	45,620

Note: The financial information for the years ended 31 December 2017and 2018 were extracted from the prospectus of the Company dated 31 December 2019. No financial statements of the Group for the years ended 31 December 2015 and 2016 have been published. The summary above does not form part of the audited financial statements.