



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



INTERIM REPORT 中期報告 2020

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. WEI Jiakun (*Chief Executive Officer*)

Ms. LIN Weishan (*Chairwoman*)

Mr. CHEN Biming

Ms. LI Wanna

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. CHEN Xiuyan

Mr. JIA Xiaogang

Mr. WU Yong

AUDIT COMMITTEE

Ms. CHEN Xiuyan (*Chairwoman*)

Mr. JIA Xiaogang

Mr. WU Yong

REMUNERATION COMMITTEE

Mr. WU Yong (*Chairman*)

Ms. CHEN Xiuyan

Mr. JIA Xiaogang

NOMINATION COMMITTEE

Mr. JIA Xiaogang (*Chairman*)

Ms. CHEN Xiuyan

Mr. WU Yong

JOINT COMPANY SECRETARIES

Mr. WONG Cheung Ki Johnny

FCPA, FCIS, FCS

Mr. WENG Weilin

AUTHORIZED REPRESENTATIVES

Mr. WEI Jiakun

Mr. WENG Weilin

COMPLIANCE OFFICER

Mr. WEI Jiakun

AUDITOR

KPMG

Certified Public Accountants

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REGISTERED OFFICE

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COMPLIANCE ADVISER

Dongxing Securities (Hong Kong)

Company Limited

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Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
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Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited
17M Floor
Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China Limited

Jieyang Branch
Middle Section of Meiyang Road
Dongshan, Rongcheng
Jieyang, Guangdong
the PRC

Bank of China Limited

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

DBS Bank (Hong Kong) Limited

11th Floor, The Center
99 Queen's Road Central
Central, Hong Kong

STOCK CODE

8646

COMPANY WEBSITE ADDRESS

www.hongguang.hk

LEGAL ADVISER

Stephenson Harwood
18/F United Centre
95 Queensway
Hong Kong
(Solicitors of Hong Kong)

INTERIM UNAUDITED RESULTS

The board of directors (the “Board”) of China Hongguang Holdings Limited (the “Company”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2020 together with the comparative figures for the corresponding period in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	For the six months ended	
	30 June	2019
	2020	
	(Unaudited)	
	RMB'000	RMB'000
Revenue	62,627	99,099
Cost of sales	(45,170)	(70,447)
	<hr/>	<hr/>
Gross profit	17,457	28,652
	<hr style="border-top: 1px dashed #000;"/>	<hr style="border-top: 1px dashed #000;"/>
Other net income	391	574
Sales and marketing expenses	(102)	(94)
General and administrative expenses	(14,536)	(13,625)
	<hr/>	<hr/>
Profit from operations	3,210	15,507
	<hr/>	<hr/>
Finance costs	(1,195)	(1,114)
	<hr/>	<hr/>
Profit before taxation	2,015	14,393
	<hr/>	<hr/>
Income tax	(1,150)	(2,380)
	<hr/>	<hr/>
Profit for the period	865	12,013
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Earnings per share		
Basic and diluted (RMB)	0.00*	0.05
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CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	For the six months ended	
	30 June	
	2020	2019
	(Unaudited)	
	RMB'000	RMB'000
Profit for the period	865	12,013
Other comprehensive income for the period (after tax)		
Items that will not be reclassified to profit or loss:		
Exchange difference on translation of financial statements of the Company	992	–
Items that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of financial statements of subsidiaries outside mainland China	(508)	–
Other comprehensive income for the period	484	–
Total comprehensive income for the period	1,349	12,013

* The actual amount of earning per share is approximately RMB0.0029. Due to the retention of two decimal places, the disclosure is shown as 0.00.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 RMB'000
Non-current assets		
Property, plant and equipment	42,759	46,149
Lease prepayments	1,641	1,699
Deferred tax assets	2,555	2,524
	<u>46,955</u>	<u>50,372</u>
Current assets		
Inventories	71,283	73,960
Trade and other receivables	94,866	59,998
Cash and cash equivalents	3,712	6,534
	<u>169,861</u>	<u>140,492</u>
Total assets	<u>216,816</u>	<u>190,864</u>
Current liabilities		
Bank loans	(41,000)	(44,000)
Trade and other payables	(11,129)	(20,975)
Income tax payable	(5,876)	(9,068)
	<u>(58,005)</u>	<u>(74,043)</u>
Net current assets	<u>111,856</u>	<u>66,449</u>
Total assets less current liabilities	<u>158,811</u>	<u>116,821</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 RMB'000
Non-current liabilities		
Deferred revenue	<u>(5,235)</u>	<u>(5,715)</u>
NET ASSETS	<u>153,576</u>	<u>111,106</u>
CAPITAL AND RESERVES		
Share capital	2,693	–
Share premium	49,892	11,464
Reserves	<u>100,991</u>	<u>99,642</u>
Total equity	<u>153,576</u>	<u>111,106</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to equity shareholders of the Company						
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	PRC Statutory reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 31 December 2018 and 1 January 2019 (Audited)	–*	11,464	(202)	2,190	–	70,815	84,267
Changes in equity for the six months ended 30 June 2019							
Profit for the period	–	–	–	–	–	12,013	12,013
Other comprehensive income	–	–	–	–	–	–	–
Total comprehensive income for the period	–	–	–	–	–	12,013	12,013
Balance at 30 June 2019 and 1 July 2019 (Audited)	–*	11,464	(202)	2,190	–	82,828	96,280
Changes in equity for the six months ended 31 December 2019							
Profit for the period	–	–	–	–	–	14,644	14,644
Other comprehensive income	–	–	–	–	182	–	182
Total comprehensive income for the period	–	–	–	–	182	14,644	14,826
Balance at 31 December 2019 and 1 January 2020 (Audited)	–*	11,464	(202)	2,190	182	97,472	111,106
Changes in equity for the six months ended 30 June 2020							
Profit for the period	–	–	–	–	–	865	865
Other comprehensive income	–	–	–	–	484	–	484
Total comprehensive income for the period	–	–	–	–	484	865	1,349
Capitalisation issue	2,024	(2,024)	–	–	–	–	–
Issuance of shares upon initial public offering, net of issuance costs	669	40,452	–	–	–	–	41,121
Balance at 30 June 2020 (Unaudited)	<u>2,693</u>	<u>49,892</u>	<u>(202)</u>	<u>2,190</u>	<u>666</u>	<u>98,337</u>	<u>153,576</u>

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020 and 2019

	For the six months ended	
	30 June	2019
	2020	
	(Unaudited)	
	RMB'000	RMB'000
Net cash generated from/(used in) operating activities	1,776	(28)
Net cash used in investing activities	(482)	(165)
Net cash (used in)/generated from financing activities	(4,195)	1,992
Net (decrease)/increase in cash and cash equivalents	(2,901)	1,799
Cash and cash equivalents at beginning of the period	6,534	2,246
Cash and cash equivalents at end of the period	<u>3,633</u>	<u>4,045</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the six months ended 30 June 2020

1. GENERAL INFORMATION

China Hongguang Holdings Limited (“the Company”) was incorporated in the Cayman Islands on 25 May 2017 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Upon the completion of a reorganisation (“the Reorganisation”) on 11 July 2018 to prepare for an initial public offering (“the IPO”), the Company became the holding company now comprising the Group. Details of the Reorganisation are set out in the Company’s prospectus dated 31 December 2019 in connection with the IPO of the Company’s shares on GEM (“GEM”) of The Stock Exchange of Hong Kong Limited (“the Listing”). The Company completed the Listing on 13 January 2020. The Company and its subsidiaries (together, “the Group”) are principally engaged in the manufacture and sales of architectural glass products in the People’s Republic of China (“PRC”).

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The unaudited condensed consolidated results for the six months ended 30 June 2020 have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), of which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

The unaudited condensed consolidated results for the six months ended 30 June 2020 comprise the Company and its subsidiaries.

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

The measurement basis used in the preparation of the unaudited condensed consolidated results is the historical cost basis.

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the six months ended 30 June 2020

3. REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group derives all its revenue from the sales of glass products in the PRC.

Revenue represents the sales value of goods sold to customers, net of sales tax and value added tax.

i. Disaggregation of revenue

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

	For the six months ended	
	30 June	
	2020	2019
	(Unaudited)	
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products lines		
– Sales of energy-efficient safety glass products	58,804	90,322
– Sales of smart glass products	3,823	8,777
	<u>62,627</u>	<u>99,099</u>

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

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

3. REVENUE AND SEGMENT REPORTING *(Continued)*

(a) Revenue *(Continued)*

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

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

(b) Segment reporting

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

4. OTHER NET INCOME

	For the six months ended	
	30 June	
	2020	2019
	(Unaudited)	
	RMB'000	RMB'000
Government grants	480	488
Rentals from operating leases	100	100
Interest income	15	3
Foreign exchange losses	–	(3)
Others	(204)	(14)
	391	574
	391	574

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the six months ended 30 June 2020

5. PROFIT BEFORE TAXATION

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

(a) Finance costs

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	
	RMB'000	RMB'000
Interest on bank loans and other borrowings	1,195	1,114
	<u>1,195</u>	<u>1,114</u>

(b) Staff costs

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	
	RMB'000	RMB'000
Contributions to defined contribution retirement plan (i)	52	487
Salaries, wages and other benefits	2,437	2,558
	<u>2,489</u>	<u>3,045</u>

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

5. PROFIT BEFORE TAXATION *(Continued)*

(b) Staff costs *(Continued)*

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

(c) Other items

	For the six months ended	
	30 June	
	2020	2019
	(Unaudited)	
	RMB'000	RMB'000
Depreciation of property, plant and equipment	3,830	3,707
Depreciation of right-of-use assets	58	58
Provision of impairment losses on trade and other receivables	686	392
Research and development costs (i)	4,056	4,580
Cost of inventories (ii)	45,170	70,447

- (i) Research and development costs included staff costs of RMB318 thousand, RMB354 thousand, and depreciation of RMB992 thousand, RMB992 thousand, for the six months ended 30 June 2020 and 2019, which are also included in the respective total amounts disclosed separately above or in note 5(b).
- (ii) Cost of inventories included staff costs of RMB1,734 thousand, and RMB1,942 thousand, and depreciation of RMB2,589 thousand and RMB2,294 thousand, for the six months ended 30 June 2020 and 2019 respectively, which are also included in the respective total amounts disclosed separately above or in note 5(b).

NOTES TO
THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the six months ended 30 June 2020

6. INCOME TAX IN THE CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Taxation in the condensed consolidated statement of profit or loss represents:

	For the six months ended	
	30 June	
	2020	2019
	(Unaudited)	
	RMB'000	RMB'000
Current tax		
Provision for PRC income tax for the period	1,181	2,470
Deferred tax		
Origination and reversal of temporary differences	(31)	(90)
	1,150	2,380

- 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.

7. EARNINGS PER SHARE

(a) Basic and diluted earnings per share

The calculation of basic and diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the parent of RMB865,000 (six months ended 30 June 2019: RMB12,013,000) and the weighted average of 294,583,333 ordinary shares (2019: 225,000,000 shares) after adjusting the capitalisation issue occurred on 13 January 2020, calculated as follows:

(i) Weighted average number of ordinary shares

	As at 30 June 2020	As at 31 December 2019
Issued ordinary shares at 1 January	225,000,000	100
Effect of capitalisation issue (note (i) below)	–	224,999,900
Effect of shares issued by initial public offering on 13 January 2020	69,583,333	–
Issued ordinary shares at 30 June	<u>294,583,333</u>	<u>225,000,000</u>

Note:

- (i) The number of ordinary shares outstanding before the capitalisation issue completed on 13 January 2020 was adjusted for the proportionate increase in the number of ordinary shares outstanding without a corresponding change in resources, as if the capitalisation issue had occurred at the beginning of the earliest period presented.

There were no dilutive potential ordinary shares and, therefore, diluted earnings per share are same as the basic earnings per share.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the six months ended 30 June 2020

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired plant and equipment of approximately RMB440 thousand (2019: RMB4,079 thousand).

9. TRADE AND OTHER RECEIVABLES

	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 RMB'000
Trade debtors, net of loss allowance	52,120	40,559
Deposit and prepayment	42,746	19,439
	94,866	59,998

Ageing analysis

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Within 3 months	27,639	29,682
3 to 6 months	11,032	10,294
6 to 12 months	13,435	583
Over 1 year	14	–
	52,120	40,559

NOTES TO
THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the six months ended 30 June 2020

10. TRADE AND OTHER PAYABLES

	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 RMB'000
Trade payable	1,392	2,513
Other payables and accruals	9,737	18,462
	11,129	20,975

Ageing analysis

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Within 3 months	29	1,558
3 to 6 months	–	206
6 to 12 months	614	651
Over 1 year	749	98
	1,392	2,513

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the six months ended 30 June 2020

11. BANK LOANS

At 30 June 2020, the bank loans were repayable as follows:

	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 RMB'000
Within 1 year or on demand	<u>41,000</u>	<u>44,000</u>
	<u>41,000</u>	<u>44,000</u>

At 30 June 2020, the bank loans and overdrafts were secured as follows:

	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 RMB'000
Bank loans		
– secured (i)	41,000	44,000

- (i) Secured bank loans of RMB41,000 thousand and RMB44,000 thousand respectively as at 30 June 2020 and 31 December 2019 were guaranteed by Ms. Lin Weishan, Mr. Wei Jiakun and Ms. Liu Rong (hereinafter referred to as the “Controlling Shareholders”).

In addition to the above guarantees, as at 30 June 2020, bank loans of RMB 36,000 thousand (2019: RMB34,000 thousand) were secured by the Group’s property, plant and equipment, and a bank loan of RMB5,000 thousand (2019: Nil) was secured by the Group’s patents.

- (ii) As at 30 June 2020, bank loans carried interest in the range of 4.30%–7.00% (2019: 5.79%–7.00%).

12. SHARE CAPITAL

	Par value HK\$	No. of shares '000	HK\$ '000	RMB equivalent '000
Authorized shares at 30 June 2020:				
Ordinary shares, issued and fully paid				
At 1 January 2018	–	–	–	–
Arising from the reorganisation	0.01	–*	–*	–*
At 31 December 2018 and 2019	0.01	–*	–*	–*
At 1 January 2020	–*	–*	–*	–*
Capitalization issue	0.01	225,000	2,250	2,024
Initial public offering	0.01	75,000	750	669
At 30 June 2020	0.01	300,000	3,000	2,693

* The balance represented number less than 1,000.

13. DIVIDEND

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the six months ended 30 June 2020

14. 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	One of the Controlling Shareholders
Wei Jiakun	One of the Controlling Shareholders
Liu Rong	One of the Controlling Shareholders
Orient Success Ventures Limited (東勝創投有限公司)	One of the Investors
Chen Biming	Executive director
Li Wanna	Executive director
Lin Gai	A member of the key management personnel
Zheng Xubin	A member of the key management personnel
Hongguang Mirror (揭陽市東山區宏光鏡藝廠 有限公司)	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.

(a) Significant related party transactions

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Advances from related parties:		
Lin Weishan	–	248
Wei Jiakun	–	6,522
	<u>–</u>	<u>6,770</u>

14. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(a) Significant related party transactions *(Continued)*

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Repayments of advances from related parties:		
Lin Weishan	–	5,036
Wei Jiakun	–	8,863
Orient Success Ventures Limited	–	2,463
	<u>–</u>	<u>16,362</u>

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Loans to directors:		
Wei Jiakun	<u>642</u>	<u>–</u>

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Repayment of loans to directors:		
Wei Jiakun	<u>642</u>	<u>13,126</u>

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the six months ended 30 June 2020

14. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties

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

(c) Guarantees provided by related parties

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Controlling Shareholders	41,000	44,000

15. APPROVAL OF FINANCIAL INFORMATION

This financial information was approved and authorised for issue by the Board on 12 August 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 hereby presents the interim results of the Group for the six months ended 30 June 2020, together with the comparative figures for the corresponding period ended 30 June 2019.

FINANCIAL REVIEW

Revenue

Our revenue is generated from the sales of the following product categories: (1) energy-efficient safety glass products; and (2) smart glass product.

MANAGEMENT DISCUSSION AND ANALYSIS

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

	For the six months ended			
	30 June			
	2020 (Unaudited)		2019	
	RMB'000	%	RMB'000	%
– Sales of energy-efficient safety glass products	58,804	94	90,322	91
– Sales of smart glass products	3,823	6	8,777	9
	<u>62,627</u>	<u>100</u>	<u>99,099</u>	<u>100</u>

For the six months ended 30 June 2020, revenue arising from energy-efficient safety glass products amounted to RMB58,804 thousand (six months ended 30 June 2019: RMB90,322 thousand), representing 94% (six months ended 30 June 2019: 91%) of our total revenue. The decrease was mainly due to the impact of the novel coronavirus disease (COVID-19) epidemic since January 2020 that caused postponement in resuming the Group's production and operation after the lunar new year holiday in the PRC, as well as postponement of project schedule and order execution of customers of the Group.

For the six months ended 30 June 2020, revenue arising from smart glass product amounted to RMB3,823 thousand (six months ended 30 June 2019: RMB8,776 thousand).

The Group's total revenue decreased 37% from RMB99,099 thousand for the six months ended 30 June 2019 to RMB62,627 thousand for the six months ended 30 June 2020. The decrease was mainly due to the revenue decrease from the production and sales of energy-efficient safety glass products.

Gross profit and gross profit margin

Our gross profit decreased from RMB28,652 thousand for the six months ended 30 June 2019 to RMB17,426 thousand for the six months ended 30 June 2020. The decrease was mainly due to the decrease in total revenue for the period. Our gross profit margin was mainly maintained at a steady level with a slight fall (for the six months ended 30 June 2020: 27.6%; for the six months ended 30 June 2019: 28.9%). The table below sets forth the breakdown of our gross profit and gross profit margin by product category for the periods indicated:

	For the six months ended			
	2020		2019	
	(Unaudited)			
	RMB'000	%	RMB'000	%
– Sales of energy-efficient safety glass products	16,288	27.6	25,938	28.7
– Sales of smart glass products	1,169	30.5	2,714	30.9
Total gross profit/gross profit margin	17,457	27.8	28,652	28.9

The gross profit margin of energy-efficient safety glass products slightly decreased from 28.7% to 27.6%; the gross profit margin of smart glass product slightly decreased from 30.9% to 30.5%.

Other net income

The Group's other net income decreased from RMB574 thousand for the six months ended 30 June 2019 to RMB391 thousand for the six months ended 30 June 2020.

Cost of sales

The Group's cost of sales decreased from RMB70,447 thousand for the six months ended 30 June 2019 to RMB45,170 thousand for the six months ended 30 June 2020, which was mainly due to the decrease in sales revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

Sales and marketing expense

The Group's sales and marketing expense slightly changed from RMB94 thousand for the six months ended 30 June 2019 to RMB102 thousand for the six months ended 30 June 2020, maintaining at a steady level.

General and administrative expense

The Group's general and administrative expense increased from RMB13,625 thousand for the six months ended 30 June 2019 to RMB14,536 thousand for the six months ended 30 June 2020.

Among which, our research and development costs slightly changed from RMB4,580 thousand for the six months ended 30 June 2019 to RMB4,056 thousand for the six months ended 30 June 2020, maintaining at a steady level.

Finance costs

The Group's finance costs increased from RMB1,114 thousand for the six months ended 30 June 2019 to RMB1,195 thousand for the six months ended 30 June 2020, maintaining at a steady level.

Staff costs

The Group's staff costs decreased from RMB3,045 thousand for the six months ended 30 June 2019 to RMB2,489 thousand for the six months ended 30 June 2020 due to the reduction of the social security expenses by the local government during the novel coronavirus disease (COVID-19) epidemic.

Income tax expenses

The Group's income tax expenses decreased from RMB2,380 thousand for the six months ended 30 June 2019 to RMB1,150 thousand for the six months ended 30 June 2020, which was mainly due to Jieyang Hongguang Coated Glass Co., Ltd.* (揭陽市宏光鍍膜玻璃有限公司), our indirect wholly-owned subsidiary, recording a worse operating result than comparative period, and having a lower income tax than comparative period.

Profit for the period

Due to the above factors, the net profit for the period of the Group was RMB865 thousand for the six months ended 30 June 2020, while there was a net profit of RMB12,013 thousand for the corresponding period in 2019, which was mainly because the revenue largely fell in 2020 and the expenses related to listing and consulting remained stable.

Human resources and remuneration policies

As at 30 June 2020, the Group employed a total of 74 full-time employees. For the six months ended 30 June 2020, the Group's staff costs, including contributions to the defined contribution retirement scheme, salaries, wages and other benefits, amounted to approximately RMB2,489 thousand.

Liquidity and financial resources

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

As at 30 June 2020, the current ratio of the Group was 2.93, compared with 1.90 as at 31 December 2019. The cash and cash equivalents of the Group in aggregate amounted to RMB 3,712 thousand as at 30 June 2020 (as at 31 December 2019: RMB6,534 thousand).

As at 30 June 2020, the bank loans of the Group amounted to RMB41,000 thousand (as at 31 December 2019: RMB44,000 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Material investments

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

Material acquisitions/disposals

For the six months ended 30 June 2020, the Group did not have any material acquisitions/disposals of subsidiaries and associated companies (2019: 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 30 June 2020 and 30 June 2019, the Group does not have any outstanding instruments for hedging purposes.

Principal risks and uncertainties faced by the Company

Principal risks and uncertainties faced by the Company in achieving its business objectives, and the solutions adopted by the Group are as follows:

Impact of local and international regulations

The business operation of the Group is subject to government policies and relevant regulations and guidelines imposed by regulatory authorities. Failure to comply with the rules and requirements may lead to penalties, amendments or suspension of the Group's business operation by the authorities. The Group closely monitors changes in government policies, regulations and the market, and conducts research to assess the impact brought by these changes.

Impact of the novel coronavirus (COVID-19) epidemic

This spring, under the impact of the novel coronavirus disease (COVID-19) epidemic, industries in Mainland China postponed the resumption of work after the Chinese New Year holiday, and operations were only resumed in early March 2020. The impact of the COVID-19 epidemic has, to a certain extent, affected the development of Mainland China's real estate market in the first quarter of 2020 as well as the second quarter of 2020, thus also triggering the slowdown of the development of the architectural glass industry. The Group closely monitors the development of COVID-19, and will continuously assess the impact on the financial position and operation results of the Group.

Pledge of assets

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

For the six months ended 30 June 2020, property, plant and equipment with net book values of RMB109 thousand, (2019: RMB124 thousand) were pledged as security to obtain bank loans of RMB36,000 thousand (2019: RMB34,000 thousand).

Comparison of business objectives with actual business progress

Since the listing of the shares of the Company on GEM of the Stock Exchange on 13 January 2020 and up to the date of this report, we are starting to implement our business objectives as set out in the section headed "Statement of Business Objectives and Use of Proceeds" of the prospectus of the Company dated 31 December 2019.

Save as disclosed in this report, there are no significant events subsequent to 30 June 2020 which would materially affect the Group's operating and financial performance as of the date of the financial statements.

Future plans for material investments or capital assets

Save as disclosed in the Prospectus, the Group has not developed any other future plan for material investments or capital assets as at 30 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Use of net proceeds from the share offer

The Company's shares were listed on GEM of 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 (RMB 17.1 million, exchange rate of HK\$ to RMB is 0.8919 on date of 13 January, 2020). There was no change in the intended use of net proceeds as previously disclosed in the Prospectus. As at 30 June 2020, the net proceeds have been utilised as follows:

Use	Approximate % of total actual net proceeds	Adjusted use of net proceeds in the manner and proportion as stated in the Prospectus		Utilised net proceeds as at 30 June 2020	Unutilised net proceeds as at 30 June 2020
		HK\$'000	RMB'000	RMB'000	RMB'000
Upgrade the Group's existing production facilities	51.3%	9,800	8,741	8,741	-
Repay the Group's bank loan	10.8%	2,100	1,873	1,873	-
Enhance the Group's research and development capabilities	12.9%	2,500	2,230	-	2,230
Enhance the infrastructure of information technology, production safety and environmental protection in order to upgrade the Group's Xianqiao Plant and ERP system	14.4%	2,800	2,497	-	2,497
Expand the Group's sales and marketing coverage	5.6%	1,100	981	-	981
Provide funding for the Group's working capital and other general corporate purposes	5.0%	900	803	803	-

The delay in the application of the net proceeds is due to novel coronavirus disease (COVID-19) epidemic, which caused a postponement of the implementation of the plans to enhance the Group's research and development capabilities, utilisation of project to upgrade the Group's Xianqiao Plant and ERP system and to expand the Group's sales and marketing coverage. Currently the Group is working on the revised timeline of the utilisation of the remaining net proceeds by evaluating the post effect of novel coronavirus disease (COVID-19) epidemic. The remaining net proceeds are expected to be utilised according to the intentions as previously disclosed in the Prospectus.

Disclosures under Rules 17.22 to 17.24 of the GEM Listing Rules

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

Capital commitment

	As at 30 June 2020 (Unaudited) RMB'000	As at 31 December 2019 RMB'000
Authorised but not contracted for	15,500	26,000
Contracted for	10,500	–
	<u>26,000</u>	<u>26,000</u>

As at 30 June 2020, the Group had certain outstanding capital commitments at a contracted amount of RMB10,500 thousand (2019: Nil) for property, plant and equipment, and an amount authorised but not contracted for of RMB15,500 thousand (2019: RMB26,000 thousand).

Gearing ratio

As at 30 June 2020, the Group's gearing ratio (total loans and borrowings/total equity) was 27.0%, compared with 39.6% as at 31 December 2019.

Dividend

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

OUTLOOK AND PROSPECTS

The Group was listed on GEM of the Stock Exchange on 13 January 2020 (the “Listing Date”) and the 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 about 7.8% from 293 million m² in 2018 to 427 million m² in 2023. Coated glass, our primary energy-efficient safety glass product, is a type of energy-saving glass which is commonly used in the construction industry. We believe our specialisation in coated glass well positions us to capture the opportunities arising from the continual growth of the demand of coated glass in China.

With the strong demand for dimming glass in new buildings, HCR estimates that dimming glass production volume in China is expected to increase at a CAGR of 21.6% from 254,000 m² in 2018 to 675,000 m² in 2023 and there will also be an upward trend of a similar scale in dimming glass sales volume. We further leveraged our cumulative experience and technological know-how in the production of smart glass product. We believe that our business will benefit from increasing market demand for smart glass products in China.

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 as well as the second 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct for securities transactions of the Company by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Model Code"). The Company had made specific enquiries with written guidelines in relation to the Model Code to all Directors and all Directors have confirmed that they complied with the required standards set out in the Model Code during the six months ended 30 June 2020.

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

As at 30 June 2020, the interests or short positions of the Directors and chief executives in the shares (the "Shares"), underlying Shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO) or which were required to be recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as follows:

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

Notes:

- The letter "L" denotes the entity/person's long position in the Shares.
- These Shares are held by Ming Liang Global Limited, the entire issued share capital of which is held by Wei Family Limited, which is in turn entirely held by IQ EQ (BVI) Limited, acting as the trustee of The Wei Family Trust. The Wei Family Trust is a discretionary trust established by Mr. Wei, Ms. Lin (the spouse of Mr. Wei) and Ms. LIU Rong ("Ms. Liu", the mother of Mr. Wei) as the settlors and the beneficiaries of The Wei Family Trust include Mr. Wei, Ms. Lin, Ms. Liu and certain family members of Mr. Wei. Each of Mr. Wei, Ms. Lin, Ms. Liu, IQ EQ (BVI) Limited and Wei Family Limited is deemed to be interested in the Shares held by Ming Liang Global Limited by virtue of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section headed "Directors' and Chief Executives' interests and short positions in Shares, underlying Shares and debentures of the Company or any associated corporation" above, at no time during the six months ended 30 June 2020 was the Company, or any of its subsidiaries or associated corporations, a party to any arrangement to enable the Directors and chief executives of the Company (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of the Shares or underlying Shares in, or debentures of, the Company or any of its associated corporations.

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

As at 30 June 2020, so far as is known to the Directors, the following persons (other than Directors or chief executives of the Company) had or deemed or taken to have interest or short position in Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

Name	Capacity/nature of interest	Total number of Shares held (L) ⁽¹⁾	Percentage of shareholding
Ming Liang Global Limited	Beneficial owner	150,750,000 (L) ⁽²⁾	50.25%
Wei Family Limited	Interest in a controlled corporation	150,750,000 (L) ⁽²⁾	50.25%
IQ EQ (BVI) Limited	Trustee of a trust	150,750,000 (L) ⁽²⁾	50.25%
Mr. Wei	Settlor of a discretionary trust; Interest of spouse	150,750,000 (L) ⁽²⁾	50.25%
Ms. Lin	Settlor of a discretionary trust; Interest of spouse	150,750,000 (L) ⁽²⁾	50.25%

Name	Capacity/nature of interest	Total number of Shares held (L) ⁽¹⁾	Percentage of shareholding
LIU Rong ("Ms. Liu")	Settlor of a discretionary trust	150,750,000 (L) ⁽²⁾	50.25%
Orient Success Ventures Limited	Beneficial owner	49,500,000 (L) ⁽³⁾	16.50%
WANG Yaqing	Interest in a controlled corporation	49,500,000 (L) ⁽³⁾	16.50%
Power Solution International Holdings Limited	Beneficial owner	24,750,000 (L) ⁽⁴⁾	8.25%
LI Wei	Interest in a controlled corporation	24,750,000 (L) ⁽⁴⁾	8.25%

Notes:

1. The letter "L" denotes the entity/person's long position in the Shares.
2. These Shares are held by Ming Liang Global Limited, the entire issued share capital of which is held by Wei Family Limited, which is in turn entirely held by IQ EQ (BVI) Limited, acting as the trustee of The Wei Family Trust. The Wei Family Trust is a discretionary trust established by Mr. Wei, Ms. Lin (the spouse of Mr. Wei) and Ms. Liu (the mother of Mr. Wei) as the settlors and the beneficiaries of The Wei Family Trust include Mr. Wei, Ms. Lin, Ms. Liu and certain family members of Mr. Wei. Each of Mr. Wei, Ms. Lin, Ms. Liu, IQ EQ (BVI) Limited and Wei Family Limited is deemed to be interested in the Shares held by Ming Liang Global Limited by virtue of the SFO.
3. These Shares are held by Orient Success Ventures Limited, which is beneficially owned by Ms. WANG Yaqing. Ms. WANG Yaqing is deemed to be interested in these Shares by virtue of the SFO.
4. These Shares are held by Power Solution International Holdings Limited, which is beneficially owned by Mr. LI Wei as to 50%, and the other two individuals as to 25% and 25%, respectively. Mr. LI Wei is deemed to be interested in these Shares by virtue of the SFO.

RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by the Group are set out in note 14 to the unaudited condensed consolidated results of the interim 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.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN COMPETING BUSINESS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholders of the Company nor any of their respective close associates that competes or may compete, directly or indirectly, with the businesses of the Group and any other conflicts of interest which any such person has or may have with the Group during the six months ended 30 June 2020 which require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant event requiring disclosure that has taken place subsequent to 30 June 2020 and up to the date of this report.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2020.

SHARE OPTION SCHEME

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to promoting high standards of corporate governance through its continuous effort in improving its corporate governance practices and process. The Board believes that sound and reasonable corporate governance practices are essential for sustainable growth of the Group and for safeguarding the interests and the assets of the Group.

The shares of the Company were listed on GEM of the Stock Exchange on 13 January 2020. The Company has adopted the Corporate Governance Code (the “CG Code”) contained in Appendix 15 to the GEM Listing Rules as its own code of corporate governance. The Directors consider that throughout the six months ended 30 June 2020, the Company has applied the principles and complied with all applicable code provisions set out in the CG Code.

AUDIT COMMITTEE

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

DIVIDEND

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

INTERESTS OF COMPLIANCE ADVISER

As notified by the Company's compliance adviser, Dongxing Securities (Hong Kong) Company Limited, neither Dongxing Securities (Hong Kong) Limited nor any of its directors or employees or close associates had any interests in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) or otherwise in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules except for the compliance adviser service provided by Dongxing Securities (Hong Kong) Limited as at the date of this report.

By Order of the Board

LIN Weishan

Chairwoman and Executive Director

Hong Kong, 12 August 2020

As at the date of this report, the Executive Directors are Mr. WEI Jiakun, Ms. LIN Weishan, Mr. CHEN Biming and Ms. LI Wanna; and the Independent Non-Executive Directors are Ms. CHEN Xiuyan, Mr. JIA Xiaogang and Mr. WU Yong.