



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

2021

First Quarterly
Report



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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

Ms. Kwong Oi Man Patty

HKICPA, CPAA

Mr. WENG Weilin

AUTHORIZED REPRESENTATIVES

Mr. WEI Jiakun

Mr. WENG Weilin

COMPLIANCE OFFICER

Mr. WEI Jiakun

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STOCK CODE

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COMPANY WEBSITE ADDRESS

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FIRST QUARTERLY 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 three months ended 31 March 2021, together with the unaudited comparative figures for the corresponding period in 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2021

		For the three months ended 31 March	
		2021	2020
	Notes	(Unaudited) RMB'000	(Unaudited) RMB'000
Revenue	3	33,495	23,226
Cost of sales		24,801	16,667
Gross profit		8,694	6,559
Other net income	4	295	278
Sales and marketing expenses		17	84
General and administrative expenses		2,545	4,111
Profit from operations		6,427	2,642
Finance costs	5(a)	781	828
Profit before taxation		5,646	1,814
Income tax	6	849	373
Profit for the period		4,797	1,441
Earnings per share	7		
Basic and diluted (RMB Yuan)		0.016	0.005
Profit for the period		4,797	1,441
Other comprehensive income for the period		—	—
Total comprehensive income for the period		4,797	1,441

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2021

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	PRC		Retained earnings RMB'000	Total equity RMB'000
				Statutory reserve RMB'000	Exchange reserve RMB'000		
Balance at 31 December 2019 and 1 January 2020 (Audited)	<u>-*</u>	<u>11,464</u>	<u>(202)</u>	<u>2,190</u>	<u>182</u>	<u>97,472</u>	<u>111,106</u>
Changes in equity for the three months ended 31 March 2020							
Total comprehensive income for the period	-	-	-	-	-	1,441	1,441
Capitalisation issue	2,020	(2,020)	-	-	-	-	-
Issuance of shares upon initial public offering, net of issuance costs	<u>673</u>	<u>44,220</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,893</u>
Balance at 31 March 2020 (Unaudited)	<u>2,693</u>	<u>53,664</u>	<u>(202)</u>	<u>2,190</u>	<u>182</u>	<u>98,913</u>	<u>157,440</u>
Balance at 31 December 2020 and 1 January 2021 (Audited)	<u>2,693</u>	<u>49,892</u>	<u>(202)</u>	<u>4,377</u>	<u>(621)</u>	<u>105,581</u>	<u>161,720</u>
Changes in equity for the three months ended 31 March 2021							
Total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,997</u>	<u>4,997</u>
Balance at 31 March 2021 (Unaudited)	<u>2,693</u>	<u>49,892</u>	<u>(202)</u>	<u>4,377</u>	<u>(621)</u>	<u>110,578</u>	<u>166,717</u>

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the three months ended 31 March 2021

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 three months ended 31 March 2021 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 quarterly financial report has been prepared in accordance with the same accounting policies adopted in the 2020 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 three months ended 31 March 2021 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 three months ended 31 March 2021

3. REVENUE AND SEGMENT REPORTING

(a) Revenue

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

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

i. Disaggregation of revenue

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

	For the three months ended 31 March	
	2021	2020
	(Unaudited)	(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	30,378	20,732
– Sales of smart glass products	3,117	2,494
	<u>33,495</u>	<u>23,226</u>

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

The Group's customer base is diversified. There is only 1 individual customer with whom transactions have exceeded 10% of the Group's revenues for the three months ended 31 March 2021 and 31 March 2020.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the three months ended 31 March 2021

3. REVENUE AND SEGMENT REPORTING (Continued)

(a) Revenue (Continued)

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

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

(b) Segment reporting

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

4. OTHER NET INCOME

	For the three months ended 31 March	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Government grants	265	240
Others	30	38
	<u>295</u>	<u>278</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the three months ended 31 March 2021

5. PROFIT BEFORE TAXATION

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

(a) Finance costs

	For the three months ended 31 March	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on bank loans and other borrowings	781	828
	<u>781</u>	<u>828</u>

(b) Staff costs

	For the three months ended 31 March	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Contributions to defined contribution retirement plan (i)	153	53
Salaries, wages and other benefits	1,194	1,224
	<u>1,347</u>	<u>1,277</u>

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the three months ended 31 March 2021

5. PROFIT BEFORE TAXATION (Continued)

(b) Staff costs (Continued)

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

(c) Other items

	For the three months ended 31 March	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Depreciation of property, plant and equipment	617	612
Depreciation of right-of-use assets	37	37
Provision/(reversal) of impairment losses on trade and other receivables	9,727	3,613
Research and development costs (i)	2,063	2,166
Cost of inventories (ii)	24,801	16,667

- (i) Research and development costs included staff costs of RMB141 thousand, RMB141 thousand, and depreciation of RMB496 thousand, RMB496 thousand, for the three months ended 31 March 2021 and 2020, 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 RMB941 thousand, and RMB893 thousand, and depreciation of RMB1,298 thousand and RMB1,294 thousand, for the three months ended 31 March 2021 and 2020 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 three months ended 31 March 2021

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 three months ended 31 March	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current tax		
Provision for PRC income tax for the period	<u>849</u>	<u>373</u>
Deferred tax		
Origination and reversal of temporary differences	<u>-</u>	<u>-</u>
	<u>849</u>	<u>373</u>

- i. Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.
- ii. No provision for Hong Kong Profits Tax was made for the subsidiary incorporated in Hong Kong as the subsidiary did not have income subject to Hong Kong Profits Tax during the reporting period.
- iii. The PRC subsidiary, Jieyang Hongguang Coated Glass Co., Ltd. ("Hongguang Glass") is subject to the PRC statutory income tax rate of 25%. Hongguang Glass was accredited as a "High and New Technology Enterprise" in October 2014 and renewed its certificate in December 2020 for another three years from 2021 to 2023 during which it is entitled to a preferential income tax rate of 15% pursuant to the current applicable CIT Law and its regulations.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the three months ended 31 March 2021

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 equity shareholder of the Company of RMB4,797 million (2020: RMB1,441 million), and 297,291,667 ordinary shares in issue during three months ended 31 March 2021 (2020: the weighted average of 297,291,667 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

	For the three months ended 31 March	
	2021	2020
Issued ordinary shares at 1 January	100	100
Effect of capitalisation issue (note (i) below)	224,999,900	224,999,900
Effect of shares issued by initial public offering on 13 January 2020 (note (ii) below)	72,291,667	72,291,667
Issued ordinary shares at 31 March	297,291,667	297,291,667

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the three months ended 31 March 2021

7. EARNINGS PER SHARE *(Continued)*

(a) Basic and diluted earnings per share *(Continued)*

(i) *Weighted average number of ordinary shares (Continued)*

Notes:

- (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.
- (ii) After the Company was listed on the Stock Exchange on 13 January 2020, a total of 75 million shares were issued at HK\$0.77 per share, raising HK\$57.87 million in total.

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

8. DIVIDEND

The Directors did not recommend the payment of any dividend for the three months ended 31 March 2021 (2020: Nil).

9. APPROVAL OF FINANCIAL INFORMATION

This financial information was approved and authorised for issue by the Board on 14 May 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

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

BUSINESS REVIEW

The Board hereby presents the first quarterly results of the Group for the three months ended 31 March 2021, together with the comparative figures for the corresponding period ended 31 March 2020.

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 three months ended 31 March			
	2021 (Unaudited)		2020 (Unaudited)	
	RMB'000	%	RMB'000	%
– Sales of energy-efficient safety glass products	30,378	90.7	20,732	89.3
– Sales of smart glass products	3,117	9.3	2,494	10.7
	33,495	100	23,226	100

For the three months ended 31 March 2021, revenue arising from energy-efficient safety glass products amounted to RMB30,378 thousand (2020: RMB20,732 thousand), representing 90.7% (2020: 89.3%) of our total revenue; revenue arising from smart glass product amounted to RMB3,117 thousand (2020: RMB2,494 thousand). The increase was mainly due to that the impact of the novel coronavirus disease (COVID-19) epidemic has been eliminated almost and the project schedule and order execution of customers of the Group have returned to normal.

The Group's total revenue increased 44.2% from RMB23,226 thousand the three months ended 31 March 2020 to RMB33,495 thousand for the three months ended 31 March 2021. The increase was mainly due to the revenue increase from the production and sales of energy-efficient safety glass products.

Gross profit and gross profit margin

Our gross profit increased from RMB6,559 thousand three months ended 31 March 2020 to RMB8,694 thousand for the three months ended 31 March 2021. The increase was mainly due to the increase in total revenue for the period. Our gross profit margin was mainly maintained at a steady level with a slight fall (for the three months ended 31 March 2021: 26.0%; for the three months ended 31 March 2020: 28.2%). The table below sets forth the breakdown of our gross profit and gross profit margin by product category for the periods indicated:

	For the three months ended 31 March 2021 (Unaudited)		2020 (Unaudited)	
	RMB'000	%	RMB'000	%
– Sales of energy-efficient safety glass products	7,858	25.9	5,775	27.9
– Sales of smart glass products	836	26.8	784	31.4
Total gross profit/gross profit margin	8,694	26.0	6,559	28.2

The gross profit margin of energy-efficient safety glass products slightly decreased from 27.9% to 25.9%; the gross profit margin of smart glass product slightly decreased from 31.4% to 26.8%.

Other net income

The Group's other net income increased from RMB278 thousand for the three months ended 31 March 2020 to RMB292 thousand for the three months ended 31 March 2021.

Cost of sales

The Group's cost of sales increased from RMB16,734 thousand for the three months ended 31 March 2020 to RMB24,801 thousand for the three months ended 31 March 2021, which was mainly due to the increase in sales revenue.



MANAGEMENT DISCUSSION AND ANALYSIS

Sales and marketing expense

The Group's sales and marketing expense decreased from RMB84 thousand for the three months ended 31 March 2020 to RMB17 thousand for the three months ended 31 March 2021.

General and administrative expense

The Group's general and administrative expense decreased from RMB4,181 thousand for the three months ended 31 March 2020 to RMB2,545 thousand for the three months ended 31 March 2021.

Among which, our research and development costs slightly changed from RMB2,166 thousand for the three months ended 31 March 2020 to RMB2,063 thousand for the three months ended 31 March 2021, maintaining at a steady level.

Finance costs

The Group's finance costs decreased from RMB828 thousand for the three months ended 31 March 2020 to RMB781 thousand for the three months ended 31 March 2021.

Staff costs

The Group's staff costs increased from RMB1,246 thousand for the three months ended 31 March 2020 to RMB1,347 thousand for the three months ended 31 March 2021.

Income tax expenses

The Group's income tax expenses decreased from RMB373 thousand for the three months ended 31 March 2020 to RMB849 thousand for the three months ended 31 March 2021, 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 thus having a higher income tax than last year.

Profit for the period

Due to the above factors, the net profit for the period of the Group was RMB4,797 thousand for the three months ended 31 March 2021, while there was a net profit of RMB1,370 for the corresponding period in 2020. The increase of 232.9% in net profit for the period was mainly because the Group's revenue largely increased in 2021.

Human resources and remuneration policies

As at 31 March 2021, the Group employed a total of 73 full-time employees. For the three months 31 March 2021, the Group's staff costs, including contributions to the defined contribution retirement scheme, salaries, wages and other benefits, amounted to approximately RMB1,347 thousand.

Material investments

For the three months ended 31 March 2021, the Group did not acquire or hold any significant investment (2020: nil).

Material acquisitions/disposals

For the three months ended 31 March 2021, the Group did not have any material acquisition/disposal of subsidiaries and associated companies (2020: 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 March 2021 and 31 March 2020, the Group does not have any outstanding instruments for hedging purposes.



MANAGEMENT DISCUSSION AND ANALYSIS

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

Last 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 three quarters of 2020, thus also triggering the slowdown of the development of the architectural glass industry. At the start of this year, the impact of the novel coronavirus disease (COVID-19) epidemic has been eliminated almost and the project schedule and order execution of customers of the Group have returned to normal gradually.

Comparison of business objectives with actual business progress

Since the shares of the Company were listed on GEM of the Stock Exchange on 13 January 2020 and up to the date of this 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 March 2021 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

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

Upon completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial statements of the Target Group will be consolidated into the consolidated financial statements of the Group.

The Equity Sale and Purchase Agreement and the transactions contemplated thereunder are agreed on normal commercial terms after arm’s length negotiations. The Acquisition is intended to be a downstream expansion of the Group’s business, and the Group would be able to secure stable demand for its glass products, which are widely used in construction service.

Disclosures under Rules 17.22 to 17.24 of the GEM Listing Rules

As at 31 March 2021, 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.

Dividend

The Directors did not recommend the payment of any dividend for the three months ended 31 March 2021 (2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK AND PROSPECTS

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

The markets and technological advances in relation to coated glass have developed significantly in recent years, driven primarily by a series of building energy conservation policies and standards promulgated by the PRC Government such as the Guidance Opinion on the Development of Glass Industry in the 13th Five-Year Plan* (《玻璃工業“十三五”發展指導意見》) issued by the China Architectural and Industrial Glass Association* (中國建築玻璃與工業玻璃協會). According to HCR Co., Ltd. (北京慧辰資道資訊股份有限公司) (“HCR”), an independent market research firm commissioned by us in preparation for the listing, coated glass production volume in China is expected to increase at a CAGR of about 7.8% from 293 million 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 the 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 three quarters 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.

* For identification purpose only

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct for securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Model Code"). The Company had made specific enquiries with written guidelines in relation to the Model Code to all Directors and all Directors have confirmed that they complied with the required standards set out in the Model Code during the three months ended 31 March 2021.

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

As at 31 March 2021, 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%



OTHER INFORMATION

Notes:

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

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section headed “Directors’ and Chief Executives’ interests and short positions in Shares, underlying Shares and debentures of the Company or any associated corporation” above, at no time during the three months ended 31 March 2021 was the Company, or any of its subsidiaries or associated corporations, a party to any arrangement to enable the Directors and chief executives of the Company (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of the Shares or underlying Shares in, or debentures of, the Company or any of its associated corporations.

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

As at 31 March 2021, 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%
Ms. Liu	Settlor of a discretionary trust	150,750,000 (L) ⁽²⁾	50.25%
Orient Success Ventures Limited	Beneficial owner	49,500,000 (L) ⁽³⁾	16.50%
WANG Yaqing	Interest in a controlled corporation	49,500,000 (L) ⁽³⁾	16.50%

OTHER INFORMATION

Name	Capacity/nature of interest	Total number of Shares held (L) ⁽¹⁾	Percentage of shareholding
Power Solution International Holdings Limited	Beneficial owner	24,750,000 (L) ⁽⁴⁾	8.25%
LI Wei	Interest in a controlled corporation	24,750,000 (L) ⁽⁴⁾	8.25%

Notes:

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

RELATED PARTY TRANSACTIONS

During the three months ended 31 March 2021, the Group did not entered any related party transaction 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 three months ended 31 March 2021.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

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

Pursuant to the Equity Sale and Purchase Agreement, Ming Liang Global has covenanted and guaranteed to the Company that the audited consolidated net profit after taxation (excluding extraordinary or exceptional items) of the Target Company and its subsidiaries (the "Target Group") shall not be less than RMB9,100,000 for each of the two financial years ending 31 December 2022.

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OTHER INFORMATION

If the aggregate audited net profit after taxation (excluding extraordinary or exceptional items) for the two financial years ending 31 December 2022 (the “Aggregate Profit”) is less than RMB18,200,000, Ming Liang Global shall compensate the Company in cash an amount equivalent to the difference between RMB18,200,000 and the Aggregate Profit on or before 30 June 2023 or any other date agreed by the parties.

Upon completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial statements of the Target Group will be consolidated into the consolidated financial statements of the Group.

The Equity Sale and Purchase Agreement and the transactions contemplated thereunder are agreed on normal commercial terms after arm’s length negotiations. The Acquisition is intended to be a downstream expansion of the Group’s business, and the Group would be able to secure stable demand for its glass products, which are widely used in construction service.

The transactions contemplated under the Equity Sale and Purchase Agreement constitutes a major and connected transaction of the Company under the GEM Listing Rules. A circular is expected to be despatched to the shareholders as soon as possible and in any event, no later than 31 May 2021. Please refer to the announcement of the Company dated 13 April 2021 for further details of the Acquisition.

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 three months ended 31 March 2021.

SHARE OPTION SCHEME

The Company did not have share option scheme as at 31 March 2021.

CONTINGENT LIABILITIES

As at 31 March 2021, the Group did not have any significant contingent liabilities.

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 three months ended 31 March 2021, 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 three months ended 31 March 2021 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 three months ended 31 March 2021 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 three months ended 31 March 2021.



OTHER INFORMATION

INTERESTS OF COMPLIANCE ADVISER

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

By Order of the Board

LIN Weishan

Chairwoman and Executive Director

Hong Kong, 14 May 2021

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.