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China Hongguang Holdings Limited

中國宏光控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8646)

2022 THIRD QUARTERLY RESULTS ANNOUNCEMENT

The board of directors (the “**Board**”) of China Hongguang Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the nine months ended 30 September 2022. This announcement, containing the full text of the 2022 third quarterly report of the Group, complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM (the “**GEM Listing Rules**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in relation to information to accompany preliminary announcement of interim results.

By Order of the Board
China Hongguang Holdings Limited
LIN Weishan
Chairwoman and Executive Director

Hong Kong, 11 November 2022

As at the date of this announcement, 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.

This announcement, for which the directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 announcement 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 in this announcement misleading.

This announcement will remain on the “Latest Listed Company Information” page of the website of the Stock Exchange at www.hkexnews.hk for at least seven days from the day of its posting. This announcement will also be published on the website of the Company at www.hongguang.hk.



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



2022

THIRD QUARTERLY REPORT

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

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Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (collectively the “Directors” and individually a “Director”) of China Hongguang Holdings Limited (the “Company”, together with its subsidiaries, collectively the “Group”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

This report will be available on the Company’s website www.hongguang.hk and will remain on the “Latest Listed Company Information” page on the website of the Stock Exchange at www.hkexnews.hk for at least 7 days from the date of its posting.

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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

AUDITOR

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COMPLIANCE ADVISER

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**HONG KONG BRANCH SHARE
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PRINCIPAL BANKERS

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Jieyang, Guangdong
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Bank of China Limited

Jieyang Branch
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STOCK CODE

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COMPANY WEBSITE

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THIRD 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 nine months ended 30 September 2022, together with the unaudited comparative figures for the corresponding period in 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 30 September 2022

	For the nine months ended	
	30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue	107,885	98,212
Cost of sales	(75,258)	(72,573)
Gross profit	32,627	25,639
Other net income	653	1,790
Sales and marketing expenses	(277)	(143)
General and administrative expenses	(11,571)	(8,594)
Profit from operations	21,432	18,692
Finance costs	(2,762)	(2,968)
Profit before taxation	19,178	15,724
Income tax	(1,789)	(2,362)
Profit for the period	16,881	13,362
Earnings per share		
Basic and diluted (RMB)	0.054	0.045

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 30 September 2022

	For the nine months ended	
	30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Profit for the period	16,881	13,362
Other comprehensive income for the period	–	828
Total comprehensive income for the period	16,881	14,190

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2022

	Attributable to owners 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 2020 and 1 January 2021 (audited)	2,693	49,892	(202)	4,377	(621)	105,581	161,720
Changes in equity for the nine months ended 30 September 2021							
Profit for the period	-	-	-	-	-	13,362	13,362
Other comprehensive income	-	-	-	-	828	-	828
Total comprehensive income for the period	-	-	-	-	828	13,362	14,190
Balance at 30 September 2021 (Unaudited)	2,693	49,892	(202)	4,377	207	118,943	170,579
Balance at 31 December 2021 and 1 January 2022 (audited)	2,693	49,892	(202)	8,414	(764)	140,544	200,577
Changes in equity for the nine months ended 30 September 2022							
Issuance of shares to controlling Shareholder, net of issuance costs	914	35,320	-	-	-	-	36,234
Profit for the period	-	-	-	-	-	16,881	16,881
Other comprehensive loss	-	-	-	-	-	-	-
Total comprehensive (loss)/income for the period	-	-	-	-	-	16,881	16,881
Balance at 30 September 2022 (unaudited)	3,607	85,212	(202)	8,414	(764)	157,425	253,692

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the nine months ended 30 September 2022

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. The Company’s shares are listed on the GEM (“GEM”) of The Stock Exchange of Hong Kong Limited from 13 January 2020. The Group, comprising the Company and its subsidiaries, are principally engaged in the manufacture and sales of architectural glass products in the People’s Republic of China (“PRC”).

The address of the registered office and principal place of business of the Company is Room 1202, 1204–06, 12th Floor, The Chinese Bank Building, 61 Des Voeux Road Central, Central, Hong Kong.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The unaudited condensed consolidated results for the nine months ended 30 September 2022 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 2021 annual financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the nine months ended 30 September 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The unaudited condensed consolidated results for the nine months ended 30 September 2022 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 unaudited condensed consolidated financial statements are presented in Renminbi (“RMB”), rounded to the nearest thousands, which is the presentation currency.

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

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the nine months ended 30 September 2022

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 nine months ended	
	30 September	
	2022	2021
	(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	105,990	89,315
– Sales of smart glass products	1,895	8,897
	<u>107,885</u>	<u>98,212</u>

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

The Group's customer base is diversified. There are correspondingly three individual customers and two individual customers with whom transactions have exceeded 10% of the Group's revenues for the nine months ended 30 September 2022 and 30 September 2021.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the nine months ended 30 September 2022

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 nine months ended	
	30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Government grants	1,396	1,879
Others	(743)	(89)
	<u>653</u>	<u>1,790</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the nine months ended 30 September 2022

5. PROFIT BEFORE TAXATION

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

(a) Finance costs

	For the nine months ended	
	30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on bank loans and other borrowings	<u>2,762</u>	<u>2,968</u>

(b) Staff costs

	For the nine months ended	
	30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Contributions to defined contribution retirement plan (i)	417	301
Salaries, wages and other benefits	<u>3,198</u>	<u>3,460</u>
	<u>3,616</u>	<u>3,761</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 nine months ended 30 September 2022

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 nine months ended	
	30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Depreciation of property, plant and equipment	2,914	1,834
Depreciation of right-of-use assets	65	80
Provision/(reversal) of impairment losses on trade and other receivables	508	–
Research and development costs (i)	8,511	7,066
Cost of inventories (ii)	75,258	72,573

- (i) Research and development costs included staff costs of RMB356 thousand, RMB409 thousand, and depreciation of RMB2,657 thousand, RMB1,488 thousand, for the nine months ended 30 September 2022 and 2021, 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 RMB2,398 thousand, and RMB2,715 thousand, and depreciation of RMB3,831 thousand and RMB3,891 thousand, for the nine months ended 30 September 2022 and 2021 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 nine months ended 30 September 2022

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 nine months ended	
	30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current tax		
Provision for PRC income tax for the period	<u>1,789</u>	<u>2,362</u>
Deferred tax		
Origination and reversal of temporary differences	<u>–</u>	<u>–</u>
	<u>1,789</u>	<u>2,362</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 nine months ended 30 September 2022

7. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	For the nine months ended 30 September	
	2022	2021
	RMB'000	RMB'000
Earnings		
Profit for the period attributable to owners of the Company	<u>16,881</u>	<u>13,362</u>
	For the nine months ended 30 September	
	2022	2021
	'000	'000
Number of shares		
Weighted average number of ordinary shares issued	<u>311,000</u>	<u>300,000</u>

(b) Diluted earnings per share

No diluted earnings per share for both of the periods ended 30 September 2022 and 2021 is presented as there were no potential ordinary shares in issue for both of the periods ended 30 September 2022 and 2021.

8. DIVIDEND

The Directors did not recommend the payment of any dividend for the nine months ended 30 September 2022 (2021: Nil).

9. APPROVAL OF FINANCIAL INFORMATION

This financial information was approved and authorised for issue by the Board on 11 November 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

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

BUSINESS REVIEW

The Board hereby presents the third quarterly results of the Group for the nine months ended 30 September 2022, together with the comparative figures for the corresponding period ended 30 September 2021.

FINANCIAL REVIEW

Revenue

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

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

	For the nine months ended 30 September			
	2022		2021	
	(Unaudited)		(Unaudited)	
	RMB'000	%	RMB'000	%
– Sales of energy-efficient safety glass products	105,990	98	89,315	91.0
– Sales of smart glass products	1,895	2	8,897	9.0
	<u>107,885</u>	<u>100</u>	<u>98,212</u>	<u>100.0</u>

MANAGEMENT DISCUSSION AND ANALYSIS

For the nine months ended 30 September 2022, revenue arising from energy-efficient safety glass products amounted to RMB105,990 thousand (2021: RMB89,315 thousand), representing 98% (2021: 91%) of our total revenue.

For the nine months ended 30 September 2022, revenue arising from smart glass product amounted to RMB1,895 thousand (2021: RMB8,897 thousand).

The Group's total revenue decreased 9.85% from RMB98,212 thousand for the nine months ended 30 September 2021 to RMB107,885 thousand for the nine months ended 30 September 2022. 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 RMB25,639 thousand for the nine months ended 30 September 2021 to RMB32,627 thousand for the nine months ended 30 September 2022. The increase was mainly due to the increase in the sales of our products for the period.

The increase of our product gross profit margin was mainly due to the slightly decreasing of raw material during 2022 (for the nine months ended 30 September 2022: 30.2%; for the nine months ended 30 September 2021: 26.1%).

The table below sets forth the breakdown of our gross profit and gross profit margin by product category for the periods indicated:

	For the nine months ended 30 September 2022 (Unaudited)		2021 (Unaudited)	
	RMB'000	%	RMB'000	%
– Sales of energy-efficient safety glass products	32,080	30.3	23,240	26.0
– Sales of smart glass products	547	28.9	2,399	27.0
Total gross profit/gross profit margin	32,627	30.2	25,639	26.1

MANAGEMENT DISCUSSION AND ANALYSIS

The gross profit margin of energy-efficient safety glass products slightly increased from 26% to 30.3%; the gross profit margin of smart glass product slightly increased from 27% to 28.9%.

Other net income

The Group's other net income decreased from RMB1,790 thousand for the nine months ended 30 September 2021 to RMB653 thousand for the nine months ended 30 September 2022.

Cost of sales

The Group's cost of sales increased from RMB72,573 thousand for the nine months ended 30 September 2021 to RMB75,258 thousand for the nine months ended 30 September 2022, which was mainly due to the increase in the sales of our products for the period.

Sales and marketing expense

The Group's sales and marketing expense increased from RMB143 thousand for the nine months ended 30 September 2021 to RMB277 thousand for the nine months ended 30 September 2022.

General and administrative expense

The Group's general and administrative expense increased from RMB8,594 thousand for the nine months ended 30 September 2021 to RMB11,571 thousand for the nine months ended 30 September 2022.

Among which, our research and development costs slightly changed from RMB7,066 thousand for the nine months ended 30 September 2021 to RMB8,511 thousand for the nine months ended 30 September 2022, maintaining at a steady level.

Finance costs

The Group's finance costs decreased from RMB2,968 thousand for the nine months ended 30 September 2021 to RMB2,762 thousand for the nine months ended 30 September 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Staff costs

The Group's staff costs decreased from RMB3,761 thousand for the nine months ended 30 September 2021 to RMB3,616 thousand for the nine months ended 30 September 2022.

Income tax expenses

The Group's income tax expenses decreased from RMB2,362 thousand for the nine months ended 30 September 2021 to RMB1,789 thousand for the nine months ended 30 September 2022, which was mainly due to the additional estimation of income tax effect of additional deduction for qualified research and development expenses in 2022.

Profit for the period

Due to the above factors, the net profit for the period of the Group was RMB16,881 thousand for the nine months ended 30 September 2022, while there was a net profit of RMB13,362 for the corresponding period in 2021.

Human resources and remuneration policies

As at 30 September 2022, the Group employed a total of 67 full-time employees. For the nine months 30 September 2022, the Group's average staff costs, including contributions to the defined contribution retirement scheme, salaries, wages and other benefits, amounted to approximately RMB54 thousand.

Material investments

For the nine months ended 30 September 2022, the Group did not acquire or hold any significant investment (2021: nil).

Material acquisitions/disposals

For the nine months ended 30 September 2022, the Group did not complete any significant acquisitions/disposals (2021: 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 September 2022 and 30 September 2021, the Group does not have any outstanding instruments for hedging purposes.

Principal risks and uncertainties faced by the Company

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

Impact of local and international regulations

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

Impact of the novel coronavirus (COVID-19) epidemic

In spring of 2020, under the impact of the novel coronavirus disease (COVID-19) epidemic, industries in Mainland China postponed the resumption of work after the Chinese New Year holiday, and operations were only resumed in early March 2020. The impact of the COVID-19 epidemic has, to a certain extent, affected the development of Mainland China's real estate market in the first three quarters of 2020, thus also triggering the slowdown of the development of the architectural glass industry. At the start of 2021, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Comparison of business objectives with actual business progress

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

Save as disclosed in this report, there are no significant events subsequent to 30 September 2022 which would materially affect the Group’s operating and financial performance as of the date of the financial statements.

Future plans for material investments or capital assets

On 27 September 2022, the Company entered into a non-legally binding memorandum of understanding with Xia Neng Technology (Beijing) Limited (夏能科技(北京)有限公司) (“Xia Neng”) with an intention to form a strategic partnership to jointly promote the development of the BIPV industry in the PRC, as well as facilitate collaborations on BIPV and new energy projects. As at the date of this report, we are negotiating with Xia Neng on the appropriate company structure to establish a joint venture company and exploring ways to jointly develop a suitable BIPV project in the PRC, including but not limited to investment in factory construction and merger and acquisitions.

Save as disclosed, for the nine months ended 30 September 2022, the Group has not developed any future plan of material investments or capital assets.

Share Subscription

On 17 May 2022, the Company entered into the Share Subscription Agreement with Ming Liang Global, pursuant to which the Company has conditionally agreed to allot and issue, and Ming Liang Global has conditionally agreed to subscribe for, 99,000,000 Subscription Shares at the subscription price of HK\$0.4 per subscription Share in accordance with the terms of the Share Subscription Agreement (the “Share Subscription”). The aggregate net proceeds of the Share Subscription, after the deduction of related fees and expenses, amounted to approximately HK\$39,250,000. The Share Subscription was approved by the independent shareholders of the Company in the extraordinary general meeting on 15 July 2022 and the Subscription Shares were allotted and issued to Ming Liang Global on 31 August 2022 with the specific mandate.

The purposes of the Share Subscription is to support the business development of the Company. The entering into of the Ming Liang Global Share Subscription Agreement will allow the Company to further improve its capital structure while providing financial support for the Company's potential acquisitions and to cope with the impact brought by COVID-19. For details, please refer to the announcements of the Company dated 17 May 2022, 15 July 2022 and 31 August 2022 and the circular of the Company dated 27 June 2022.

Disclosures under rules 17.22 to 17.24 of the GEM Listing Rules

As at 30 September 2022, there is no circumstance which would give rise to a disclosure obligation on the part of the Group under Rules 17.22 to 17.24 of the GEM Listing Rules.

Dividend

The Directors did not recommend the payment of any dividend for the nine months ended 30 September 2022 (2021: 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.

* For identification purposes only



MANAGEMENT DISCUSSION AND ANALYSIS

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.

OTHER INFORMATION

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 nine months ended 30 September 2022.

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

As at 30 September 2022, 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	249,750,000 (L) ⁽²⁾	62.59%
Ms. LIN Weishan ("Ms. Lin")	Settlor of discretionary trust; Interest of spouse	249,750,000 (L) ⁽²⁾	62.59%

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 nine months ended 30 September 2022 was the Company, or any of its subsidiaries or associated corporations, a party to any arrangement to enable the Directors and chief executives of the Company (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of the Shares or underlying Shares in, or debentures of, the Company or any of its associated corporations.

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

As at 30 September 2022, so far as is known to the Directors, the following persons (other than Directors or chief executives of the Company) had or deemed or taken to have interest or short position in Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

Name	Capacity/nature of interest	Total number of Shares held (L) ⁽¹⁾	Percentage of shareholding
Ming Liang Global Limited	Beneficial owner	249,750,000 (L) ⁽²⁾	62.59%
Wei Family Limited	Interest in a controlled corporation	249,750,000 (L) ⁽²⁾	62.59%
IQ EQ (BVI) Limited	Trustee of a trust	249,750,000 (L) ⁽²⁾	62.59%
Mr. Wei	Settlor of a discretionary trust; Interest of spouse	249,750,000 (L) ⁽²⁾	62.59%
Ms. Lin	Settlor of a discretionary trust; Interest of spouse	249,750,000 (L) ⁽²⁾	62.59%
LIU Rong (“Ms. Liu”)	Settlor of a discretionary trust	249,750,000 (L) ⁽²⁾	62.59%
Orient Success Ventures Limited	Beneficial owner	49,500,000 (L) ⁽³⁾	12.41%
WANG Yaqing	Interest in a controlled corporation	49,500,000 (L) ⁽³⁾	12.41%

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⁾	6.20%
LI Wei	Interest in a controlled corporation	24,750,000 (L) ⁽⁴⁾	6.20%

Notes:

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

RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by the Group are set out in note 14 to the unaudited condensed consolidated results of the quarterly 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' 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 nine months ended 30 September 2022 that is required to be disclosed pursuant to Rule 11.04 of the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

Other than the Share Subscription as disclosed in this report, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

SHARE OPTION SCHEME

The Company did not have share option scheme as at 30 September 2022.

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 nine months ended 30 September 2022, the Company has applied the principles and complied with all applicable code provisions set out in the CG Code.

OTHER INFORMATION

AUDIT COMMITTEE

The Group's unaudited condensed consolidated financial statements for the nine months ended 30 September 2022 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the unaudited condensed consolidated financial statements of the Group for the nine months ended 30 September 2022 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 quarterly dividend for the nine months ended 30 September 2022.

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.

IMPORTANT EVENT AFTER REPORTING PERIOD

Save as disclosed in this report, the Board is not aware of any significant event requiring disclosure that has taken place subsequent to 30 September 2022 and up to the date of this quarterly report.

By Order of the Board
China Hongguang Holdings Limited
LIN Weishan
Chairwoman and Executive Director

Hong Kong, 11 November 2022

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.