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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)

2023 FIRST 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 three months ended 31 March 2023. This announcement, containing the full text of the 2023 first quarterly report of the Group, complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM (the “**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) in relation to information to accompany preliminary announcement of the first quarterly results.

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

Hong Kong, 15 May 2023

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 of the Company (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



FIRST QUARTERLY REPORT
2023

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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

CCTH CPA Limited
Certified Public Accountants
Registered Public Interest Entity Auditor
Unit 1510–1517, 15/F., Tower 2
Kowloon Commerce Centre
No. 51 Kwai Cheong Road
Kwai Chung, New Territories, Hong Kong

REGISTERED OFFICE

Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Eastside of Middle of Rongchi Road
Xianqiao, Rongcheng, Jieyang
Guangdong, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1202, 1204–06, 12th floor
The Chinese Bank Building
61 Des Voeux Road Central
Central, Hong Kong

**PRINCIPAL SHARE REGISTRAR
AND TRANSFER OFFICE**

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681
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

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 2023, together with the unaudited comparative figures for the corresponding period in 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2023

		For the three months ended 31 March	
		2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
	Notes		
Revenue	3	41,712	37,470
Cost of sales		27,895	25,749
Gross profit		13,817	11,721
Other net income	4	111	(42)
Sales and marketing expenses		29	23
General and administrative expenses		3,598	3,633
Profit from operations		10,301	8,023
Finance costs	5(a)	974	867
Profit before taxation		9,327	7,156
Income tax	6	1,429	1,071
Profit for the period		7,898	6,085
Earnings per share	7		
Basic and diluted (RMB)		0.020	0.020
Profit for the period		7,898	6,085
Other comprehensive income for the Period		-	-
Total comprehensive income for the Period		7,898	6,085

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2023

	Share capital	Share premium	Capital reserve	PRC statutory reserve	Exchange reserve	Retained earnings	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 31 December 2021 and 1 January 2022 (Audited)	<u>2,693</u>	<u>49,892</u>	<u>(202)</u>	<u>8,414</u>	<u>(764)</u>	<u>140,544</u>	<u>200,577</u>
Changes in equity for the three months ended 31 March 2022							
Total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,085</u>	<u>6,085</u>
Balance at 31 March 2022 (Unaudited)	<u>2,693</u>	<u>49,892</u>	<u>(202)</u>	<u>4,377</u>	<u>207</u>	<u>146,629</u>	<u>206,662</u>
Balance at 31 December 2022 and 1 January 2023 (Audited)	<u>3,564</u>	<u>83,570</u>	<u>(202)</u>	<u>12,417</u>	<u>(1,134)</u>	<u>171,101</u>	<u>269,316</u>
Changes in equity for the three months ended 31 March 2023							
Total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,898</u>	<u>7,898</u>
Balance at 31 March 2023 (Unaudited)	<u>3,564</u>	<u>83,570</u>	<u>(202)</u>	<u>12,417</u>	<u>(1,134)</u>	<u>178,999</u>	<u>277,214</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the three months ended 31 March 2023

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 2023 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 2022 annual financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the three months ended 31 March 2023

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 2023 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.

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 three months ended 31 March 2023

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	
	2023	2022
	(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	41,015	37,470
– Sales of smart glass products	697	–
	<u>41,712</u>	<u>37,470</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 three months ended 31 March 2023 and 31 March 2022.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the three months ended 31 March 2023

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	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Government grants	440	240
Others	(329)	(282)
	<u>111</u>	<u>(42)</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the three months ended 31 March 2023

5. PROFIT BEFORE TAXATION

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

(a) Finance costs

	For the three months ended 31 March	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on bank loans and other borrowings	<u>974</u>	<u>867</u>

(b) Staff costs

	For the three months ended 31 March	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Contributions to defined contribution retirement plan (i)	135	141
Salaries, wages and other benefits	<u>1,103</u>	<u>925</u>
	<u>1,238</u>	<u>1,066</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 2023

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	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Depreciation of property, plant and equipment	929	996
Depreciation of right-of-use assets	22	22
Provision/(reversal) of impairment losses on trade and other receivables	–	–
Research and development costs (i)	2,145	2,887
Cost of inventories (ii)	27,895	25,749

(i) Research and development costs included staff costs of RMB119 thousand, RMB119 thousand, and depreciation of RMB886 thousand, RMB885 thousand, for the three months ended 31 March 2023 and 2022, 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 RMB836 thousand, and RMB803 thousand, and depreciation of RMB1,276 thousand and RMB1,278 thousand, for the three months ended 31 March 2023 and 2022 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 2023

**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	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current tax		
Provision for PRC income tax for the period	<u>1,429</u>	<u>1,071</u>
Deferred tax		
Origination and reversal of temporary differences	<u>–</u>	<u>–</u>
	<u><u>1,429</u></u>	<u><u>1,071</u></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 2023

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 three months ended 31 March	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Earnings		
Profit for the period attributable to owners of the Company	<u>7,898</u>	<u>6,085</u>
Number of shares		
Weighted average number of ordinary shares issued	<u>399,000</u>	<u>300,000</u>

(b) Weighted average number of ordinary shares issued

No diluted earnings per share for both of the period ended 31 March 2023 and 2022 is presented as there were no potential ordinary shares in issue for both of the period ended 31 March 2023 and 2022.

8. DIVIDEND

The Directors did not recommend the payment of any dividend or the three months ended 31 March 2023 (2022: nil).

9. APPROVAL OF FINANCIAL INFORMATION

This financial information was approved and authorised for issue by the Board on 15 May 2023.

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 first quarterly results of the Group for the three months ended 31 March 2023, together with the comparative figures for the corresponding period ended 31 March 2022.

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 three months ended 31 March			
	2023		2022	
	(Unaudited)		(Unaudited)	
	RMB'000	%	RMB'000	%
– Sales of energy-efficient safety glass products	41,015	98	37,470	100
– Sales of smart glass products	697	2	–	–
	<u>41,712</u>	<u>100</u>	<u>37,470</u>	<u>100</u>

MANAGEMENT DISCUSSION AND ANALYSIS

For the three months ended 31 March 2023, revenue arising from energy-efficient safety glass products amounted to RMB41,015 thousand (2022: RMB37,470 thousand), representing 98% (2022: 100%) of our total revenue.

For the three months ended 31 March 2023, revenue arising from smart glass product amounted to RMB697 (2022: RMBnil).

The Group's total revenue increased 11.32% from RMB37,470 thousand the three months ended 31 March 2022 to RMB41,712 thousand for the three months ended 31 March 2023. 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 RMB11,721 thousand for three months ended 31 March 2022 to RMB13,817 thousand for the three months ended 31 March 2023. The increase was mainly due to the increase of sales volume of energy-efficient safety glass products for the period. Our product gross profit margin increased from 31.3% for the three months ended 31 March 2022 to 33.1% for the three months ended 31 March 2023. 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			
	2023		2022	
	(Unaudited)		(Unaudited)	
	RMB'000	%	RMB'000	%
– Sales of energy-efficient safety glass products	13,565	33.1	11,721	31.3
– Sales of smart glass products	252	36.2	–	–
Total gross profit/gross profit margin	13,817	33.1	11,721	31.3

The gross profit margin of energy-efficient safety glass products increased from 31.3% to 33.1%.

MANAGEMENT DISCUSSION AND ANALYSIS

Other net income

The Group's other net income changed from RMB42 thousand loss for the three months ended 31 March 2022 to 111 thousand for the three months ended 31 March 2023.

Cost of sales

The Group's cost of sales increased from RMB25,749 thousand for the three months ended 31 March 2022 to RMB27,895 thousand for the three months ended 31 March 2023, which was mainly due to increase of sale volume.

Sales and marketing expense

The Group's sales and marketing expense increased from RMB23 thousand for the three months ended 31 March 2022 to RMB29 thousand for the three months ended 31 March 2023.

General and administrative expense

The Group's general and administrative expense decreased from RMB3,633 thousand for the three months ended 31 March 2022 to RMB3,598 thousand for the three months ended 31 March 2023.

Among which, our research and development costs slightly changed from RMB2,887 thousand for the three months ended 31 March 2022 to RMB2,145 thousand for the three months ended 31 March 2023.

Finance costs

The Group's finance costs increased from RMB867 thousand for the three months ended 31 March 2022 to RMB974 thousand for the three months ended 31 March 2023.

Staff costs

The Group's staff costs increased from RMB1,066 thousand for the three months ended 31 March 2022 to RMB1,238 thousand for the three months ended 31 March 2023.

Income tax expenses

The Group's income tax expenses increased from RMB1,071 thousand for the three months ended 31 March 2022 to RMB1,429 thousand for the three months ended 31 March 2023, which was mainly due to Jieyang Hongguang Coated Glass Co., Ltd.* (揭陽市宏光鍍膜玻璃有限公司), our indirect wholly-owned subsidiary, recording a better operating result than last year, and having a higher income tax than last year.

Profit for the period

Due to the above factors, the net profit for the period of the Group was RMB7,898 thousand for the three months ended 31 March 2023, while there was a net profit of RMB6,085 for the corresponding period in 2022, which was mainly because the revenue increased in 2023.

Human resources and remuneration policies

As at 31 March 2023, the Group employed a total of 66 full-time employees. For the three months 31 March 2023, the Group's staff costs, including contributions to the defined contribution retirement scheme, salaries, wages and other benefits, amounted to approximately RMB1,238 thousand.

Material investments

For the three months ended 31 March 2023, the Group did not acquire or hold any significant investment (2022: nil).

Material acquisitions/disposals

For the three months ended 31 March 2023, the Group did not complete any significant acquisitions/disposals (2022: 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 2023 and 31 March 2022, 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.

Comparison of business objectives with actual business progress

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

Save as disclosed in this report, there are no significant events subsequent to 31 March 2023 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 three months ended 31 March 2023, the Group has not developed any future plan of material investments or capital assets.

Disclosures under Rules 17.22 to 17.24 of the GEM Listing Rules

As at 31 March 2023, 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 2023 (2022: 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.

* For identification purpose only

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 three months ended 31 March 2023.

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 2023, 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%

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 2023 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.

OTHER INFORMATION

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

As at 31 March 2023, 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%
Ms. LIU Rong (“Ms. Liu”)	Settlor of a discretionary trust	249,750,000 (L) ⁽²⁾	62.59%
Orient Success Ventures Limited	Beneficial owner	24,000,000 (L) ⁽³⁾	6.02%
Yichuan Holdings Limited	Interest in a controlled corporation	24,000,000 (L) ⁽³⁾	6.02%

OTHER INFORMATION

Name	Capacity/nature of interest	Total number of Shares held (L) ⁽¹⁾	Percentage of shareholding
Mr. WANG Yichuan	Interest in a controlled corporation	24,000,000 (L) ⁽³⁾	6.02%
Power Solution International Holdings Limited	Beneficial owner	24,750,000 (L) ⁽⁴⁾	6.20%
Mr. 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 held by Yichuan Holdings Limited and ultimately beneficially owned by Mr. WANG Yichuan. Yichuan Holdings Limited and Mr. WANG Yichuan are 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.

OTHER INFORMATION

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 2023 that is required to be disclosed 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 31 March 2023 and up to the date of this quarterly 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 three months ended 31 March 2023.

SHARE OPTION SCHEME

The Company did not have share option scheme as at 31 March 2023.

CONTINGENT LIABILITIES

As at 31 March 2023, 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 2023, 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 2023 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 three months ended 31 March 2023 have been prepared in compliance with the applicable accounting standards and the GEM Listing Rules and that adequate disclosures have been made.

OTHER INFORMATION

DIVIDEND

The Board did not recommend the payment of interim dividend for the three months ended 31 March 2023.

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

Hong Kong, 15 May 2023

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.