



CHINA HONGGUANG HOLDINGS LIMITED

中國宏光控股有限公司

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 8646



INTERIM REPORT
2023

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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 website of the Stock Exchange at www.hkexnews.hk for at least 7 days from the date of its posting.

CONTENTS

| | |
|--|----|
| Corporate Information | 2 |
| Interim Unaudited Results | 4 |
| Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income | 4 |
| Condensed Consolidated Statement of Financial Position | 6 |
| Condensed Consolidated Statement of Changes in Equity | 8 |
| Condensed Consolidated Statement of Cash Flows | 9 |
| Notes to the Unaudited Condensed Consolidated Results | 10 |
| Management Discussion and Analysis | 26 |
| Other Information | 36 |



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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Certified Public Accountants
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Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Guangdong, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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COMPLIANCE ADVISER

Dongxing Securities (Hong Kong)
Company Limited
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Hong Kong

**PRINCIPAL SHARE REGISTRAR
AND TRANSFER OFFICE**

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
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
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Central, Hong Kong

STOCK CODE

8646

COMPANY WEBSITE ADDRESS

www.hongguang.hk

INTERIM UNAUDITED RESULTS

The board of directors (the “Board”) of China Hongguang Holdings Limited (the “Company”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 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 and six months ended 30 June 2023

| | Notes | Three months ended 30 June | | Six months ended 30 June | |
|-------------------------------------|-------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | | 2023 RMB'000 (unaudited) | 2022 RMB'000 (unaudited) | 2023 RMB'000 (unaudited) | 2022 RMB'000 (unaudited) |
| Revenue | 3 | 38,441 | 33,217 | 80,153 | 70,687 |
| Cost of sales | | (26,135) | (23,457) | (54,030) | (49,206) |
| Gross profit | | 12,306 | 9,760 | 26,123 | 21,481 |
| Other net income | 4 | 3,470 | 879 | 3,581 | 837 |
| Sales and marketing expenses | | (33) | (118) | (62) | (141) |
| General and administrative expenses | | (4,193) | (7,661) | (7,791) | (11,294) |
| Profit from operations | | 11,550 | 2,860 | 21,851 | 10,883 |
| Finance costs | 5(a) | (1,446) | (1,140) | (2,420) | (2,007) |
| Profit before taxation | 5 | 10,104 | 1,720 | 19,431 | 8,876 |
| Income tax expense | 6 | (1,127) | (817) | (2,556) | (1,888) |
| Profit for the period | | 8,977 | 903 | 16,875 | 6,988 |
| Earnings per share | 7 | | | | |
| Basic (RMB cent) | | 2.25 | 0.30 | 4.23 | 2.33 |

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2023

| | Three months ended 30 June | | Six months ended 30 June | |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | 2023 RMB'000 (unaudited) | 2022 RMB'000 (unaudited) | 2023 RMB'000 (unaudited) | 2022 RMB'000 (unaudited) |
| Profit for the period | 8,977 | 903 | 16,875 | 6,988 |
| Other comprehensive loss for the period (after tax) | | | | |
| Item that will not be reclassified to profit or loss: | | | | |
| Exchange difference on translation of financial statements of the Company | (2,370) | (247) | (2,370) | (247) |
| Item that may be reclassified subsequently to profit or loss: | | | | |
| Exchange difference on translation of financial statements of subsidiaries outside mainland China | 200 | 75 | 200 | 75 |
| Other comprehensive loss for the period | (2,170) | (172) | (2,170) | (172) |
| Total comprehensive income for the period | 6,807 | 731 | 14,705 | 6,816 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

| | | At 30 June 2023 RMB'000 (unaudited) | At 31 December 2022 RMB'000 (audited) |
|--|----|---|---|
| Non-current assets | | | |
| Property, plant and equipment | 8 | 43,696 | 42,362 |
| Right-of-use assets | | 1,583 | 1,445 |
| Deferred tax assets | | 3,107 | 3,106 |
| Other receivables | | — | 950 |
| | | <u>48,386</u> | <u>47,863</u> |
| Current assets | | | |
| Inventories | 9 | 183,214 | 165,495 |
| Trade and other receivables | 10 | 160,234 | 180,757 |
| Cash and cash equivalents | | 7,382 | 13,268 |
| | | <u>350,830</u> | <u>359,520</u> |
| Current liabilities | | | |
| Trade and other payables | 11 | 20,526 | 38,849 |
| Bank loans | 12 | 54,300 | 61,500 |
| Other borrowings | 13 | 11,032 | 11,459 |
| Income tax payable | | 11,200 | 13,639 |
| | | <u>97,058</u> | <u>125,447</u> |
| Net current assets | | <u>253,772</u> | <u>234,073</u> |
| Total assets less current liabilities | | <u>302,158</u> | <u>281,936</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

| | | At 30 June 2023 | At 31 December 2022 |
|--------------------------------|-------|--------------------------------|---------------------------|
| | Notes | RMB'000 (unaudited) | RMB'000 (audited) |
| Non-current liabilities | | | |
| Bank loans | 12 | 704 | – |
| Other borrowings | 13 | 2,973 | 8,284 |
| Deferred revenue | | 3,856 | 4,336 |
| | | 7,533 | 12,620 |
| Net assets | | 294,625 | 269,316 |
| Equity | | | |
| Share capital | 14 | 4,114 | 3,564 |
| Reserves | | 290,511 | 265,752 |
| Total equity | | 294,625 | 269,316 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

| | Attributable to owners of the Company | | | | | | Total equity |
|---|---------------------------------------|---------------|-----------------|-----------------------|------------------|-------------------|----------------|
| | Share capital | Share premium | Capital reserve | PRC Statutory reserve | Exchange reserve | Retained earnings | |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| 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 six months ended 30 June 2022 | | | | | | | |
| Profit for the period | - | - | - | - | - | 6,988 | 6,988 |
| Other comprehensive loss | - | - | - | - | (172) | - | (172) |
| Total comprehensive (loss)/income for the period | - | - | - | - | (172) | 6,988 | 6,816 |
| Balance at 30 June 2022 (unaudited) | <u>2,693</u> | <u>49,892</u> | <u>(202)</u> | <u>8,414</u> | <u>(936)</u> | <u>147,532</u> | <u>207,393</u> |
| Balance at 31 December 2022 and 1 January 2023 (audited) | 3,564 | 83,570 | (202) | 12,417 | (1,134) | 171,101 | 269,316 |
| Changes in equity for the six months ended 30 June 2023 | | | | | | | |
| Profit for the period | - | - | - | - | - | 16,875 | 16,875 |
| Other comprehensive loss | - | - | - | - | (2,170) | - | (2,170) |
| Total comprehensive (loss)/income for the period | - | - | - | - | (2,170) | 16,875 | 14,705 |
| Issue of shares | 550 | 10,054 | - | - | - | - | 10,604 |
| Balance at 30 June 2023 (unaudited) | <u>4,114</u> | <u>93,624</u> | <u>(202)</u> | <u>12,417</u> | <u>(3,304)</u> | <u>187,976</u> | <u>294,625</u> |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

| | Six months ended 30 June | |
|--|--------------------------|-------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| | | (restated) |
| Net cash used in operating activities | (9,695) | (23,727) |
| Net cash generated from/(used in) investing activities | 5,925 | (289) |
| Net cash (used in)/generated from financing activities | (2,116) | 21,304 |
| Net decrease in cash and cash equivalents | (5,886) | (2,712) |
| Cash and cash equivalents at beginning of the period | 13,268 | 12,930 |
| Cash and cash equivalents at end of the period | 7,382 | 10,218 |

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the six months ended 30 June 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. 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 is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the 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 six months ended 30 June 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) and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited.

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

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

The unaudited condensed consolidated results for the six months ended 30 June 2023 comprise the Company and its subsidiaries.

Items included in the unaudited condensed consolidated 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the six months ended 30 June 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 | | For the six months ended | |
|--|----------------------------|---------------|--------------------------|---------------|
| | 30 June | | 30 June | |
| | 2023 | 2022 | 2023 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Revenue from contracts with customers within the scope of HKFRS 15 | | | | |
| Disaggregated by major products lines | | | | |
| – Sales of energy-efficient safety glass products | 38,081 | 31,322 | 79,096 | 68,792 |
| – Sales of smart glass products | 360 | 1,895 | 1,057 | 1,895 |
| | <u>38,441</u> | <u>33,217</u> | <u>80,153</u> | <u>70,687</u> |

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

The Group's customer base is diversified. There are two and two individual customer with whom transactions have exceeded 10% of the Group's revenues for the six months ended 30 June 2023 and 30 June 2022 respectively.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the six months ended 30 June 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 | | For the six months ended | |
|-------------------------------|----------------------------|-------------|--------------------------|-------------|
| | 30 June | | 30 June | |
| | 2023 | 2022 | 2023 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Government grants | 540 | 440 | 980 | 680 |
| Rentals from operating leases | 157 | 157 | 157 | 157 |
| Others | 2,773 | 282 | 2,444 | – |
| | <u>3,470</u> | <u>879</u> | <u>3,581</u> | <u>837</u> |

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the six months ended 30 June 2023

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

| | For the three months ended | | For the six months ended | |
|------------------------------|----------------------------|--------------|--------------------------|--------------|
| | 30 June | | 30 June | |
| | 2023 | 2022 | 2023 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Interest on bank loans | 694 | 718 | 1,279 | 1,155 |
| Interest on other borrowings | 369 | 422 | 1,141 | 852 |
| | <u>1,063</u> | <u>1,140</u> | <u>2,420</u> | <u>2,007</u> |

(b) Staff costs

| | For the three months ended | | For the six months ended | |
|---|----------------------------|--------------|--------------------------|--------------|
| | 30 June | | 30 June | |
| | 2023 | 2022 | 2023 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Contributions to defined contribution retirement plan (i) | 140 | 270 | 275 | 411 |
| Salaries, wages and other benefits | 1,119 | 1,205 | 2,222 | 2,130 |
| | <u>1,259</u> | <u>1,475</u> | <u>2,497</u> | <u>2,541</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 six months ended 30 June 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 | | For the six months ended | |
|---|----------------------------|-------------|--------------------------|-------------|
| | 30 June | | 30 June | |
| | 2023 | 2022 | 2023 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Depreciation of property, plant and equipment | 929 | 3,835 | 1,858 | 4,831 |
| Depreciation of right-of-use assets | 21 | 5 | 43 | 27 |
| Impairment loss on trade and other receivables recognised | - | 508 | - | 508 |
| Research and development costs (i) | 3,532 | 2,873 | 5,677 | 5,760 |
| Cost of inventories (ii) | 26,135 | 23,457 | 54,030 | 49,206 |

(i) Research and development costs included staff costs of RMB254,000, RMB384,000, and depreciation of RMB1,772,000, RMB992,000, for the six months ended 30 June 2023 and 2022 respectively, which are also included in the respective total amounts disclosed separately above or in note 5(b).

(ii) Cost of inventories included staff costs of RMB1,662,000, and RMB2,886,000, and depreciation of RMB2,551,000 and RMB2,556,000, for the six months ended 30 June 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 six months ended 30 June 2023

6. INCOME TAX EXPENSE

Income tax expense in the condensed consolidated statement of profit or loss represents:

| | For the three months ended 30 June | | For the six months ended 30 June | |
|---|---------------------------------------|-------------|-------------------------------------|---------------------|
| | 2023 | 2022 | 2023 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Current tax | | | | |
| Provision for PRC income tax for the period | <u>1,127</u> | 821 | <u>2,556</u> | <u>1,892</u> |
| Deferred tax | | | | |
| Reversal of temporary differences | <u>–</u> | (4) | <u>–</u> | <u>(4)</u> |
| | <u><u>1,127</u></u> | <u>817</u> | <u><u>2,556</u></u> | <u><u>1,888</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.

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 six months ended 30 June | |
|---|---|--------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Earnings | | |
| Profit for the period attributable to owners of the Company | <u>16,875</u> | <u>6,988</u> |

| | For the six months ended 30 June | |
|---|---|----------------|
| | 2023 | 2022 |
| | '000 | '000 |
| Number of shares | | |
| Weighted average number of ordinary shares issued | <u>399,331</u> | <u>300,000</u> |

(b) Diluted earnings per share

No diluted earnings per share for both of the periods ended 30 June 2023 and 2022 is presented as there were no potential ordinary shares in issue for both of the periods ended 30 June 2023 and 2022.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the six months ended 30 June 2023

8. PROPERTY, PLANT AND EQUIPMENT

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

At 30 June 2023, property, plant and equipment with net book value of approximately RMB43,696,000 (At 31 December 2022: RMB42,362,000).

9. INVENTORIES

| | At 30 June 2023 RMB'000 (unaudited) | At 31 December 2022 RMB'000 (audited) |
|----------------------------|--|---|
| Glass manufacturing | | |
| – Raw materials | 28,601 | 39,021 |
| – Finished goods | 154,613 | 126,474 |
| | 183,214 | 165,495 |

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the six months ended 30 June 2023

10. TRADE AND OTHER RECEIVABLES

| | At 30 June 2023 RMB'000 (unaudited) | At 31 December 2022 RMB'000 (audited) |
|---|--|--|
| Trade debtors, gross amount | 77,122 | 139,479 |
| Less: Loss allowance recognised | (10,913) | (13,603) |
| | <hr/> | <hr/> |
| Trade debtors, net of loss allowance | 66,209 | 125,876 |
| Deposits and prepayments | 94,025 | 55,831 |
| | <hr/> | <hr/> |
| | 160,234 | 181,707 |
| | <hr/> <hr/> | <hr/> <hr/> |
| | At 30 June 2023 RMB'000 (unaudited) | At 31 December 2022 RMB'000 (audited) |
| Analysis for reporting purpose classified under | | |
| – Current assets | 160,234 | 180,757 |
| – Non-current assets | – | 950 |
| | <hr/> | <hr/> |
| | 160,234 | 181,707 |
| | <hr/> <hr/> | <hr/> <hr/> |

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the six months ended 30 June 2023

10. TRADE AND OTHER RECEIVABLES (Continued)

Aged analysis

As of the end of the reporting period, the aged analysis of trade receivables, based on the invoice date and net of loss allowance, is as follows:

| | At 30 June 2023 RMB'000 (unaudited) | At 31 December 2022 RMB'000 (audited) |
|-----------------|--|---|
| Within 3 months | 21,848 | 66,805 |
| 3 to 6 months | 43,598 | 31,577 |
| 6 to 12 months | 2 | 19,985 |
| Over 1 year | 761 | 7,509 |
| | 66,209 | 125,876 |

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the six months ended 30 June 2023

11. TRADE AND OTHER PAYABLES

| | At 30 June 2023 RMB'000 (unaudited) | At 31 December 2022 RMB'000 (audited) |
|-----------------------------|--|--|
| Trade payables | 3,216 | 14,169 |
| Other payables and accruals | 17,310 | 24,680 |
| | 20,526 | 38,849 |

Aged analysis

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

| | At 30 June 2023 RMB'000 (unaudited) | At 31 December 2022 RMB'000 (audited) |
|----------------|--|--|
| Within 1 month | 248 | 12,545 |
| 1 to 3 months | 428 | 211 |
| Over 3 months | 2,540 | 1,413 |
| | 3,216 | 14,169 |

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the six months ended 30 June 2023

12. BANK LOANS

| | At 30 June 2023 RMB'000 (unaudited) | At 31 December 2022 RMB'000 (audited) |
|----------------------------|--|--|
| Within 1 year or on demand | 54,300 | 61,500 |
| Over 1 year | 704 | – |
| | 55,004 | 61,500 |

| | At 30 June 2023 RMB'000 (unaudited) | At 31 December 2022 RMB'000 (audited) |
|----------------------------------|--|--|
| Analysis for reporting purposes: | | |
| – Current liabilities | 54,300 | 61,500 |
| – Non-current liabilities | 704 | – |
| | 55,004 | 61,500 |

The bank loans were secured by the guarantees given by Ms. Lin Weishan, Mr. Wei Jiakun and Ms. Liu Rong (the “Guarantors”). These individuals are shareholders of the Company’s immediate holding company, Ming Liang Global Limited. Ms. Lin Weishan and Mr. Wei Jiakun are also directors of the Company.

In addition to the above, the bank loans to the extent of RMB37,200,000 (31 December 2022: RMB37,200,000) as at 30 June 2023 were secured by the Group’s property, plant and equipment.

As at 30 June 2023, the bank loans carried interest at interest rates ranged 3.70%–6.40% (31 December 2022: 3.70%–6.40%) per annum.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the six months ended 30 June 2023

13. OTHER BORROWINGS

| | At 30 June 2023 RMB'000 (unaudited) | At 31 December 2022 RMB'000 (audited) |
|---|--|---|
| Secured other borrowings repayable: | | |
| – Within 1 year or on demand | 11,032 | 11,459 |
| – Over 1 year and not more than 2 years | 2,973 | 8,284 |
| | 14,005 | 19,743 |

| | At 30 June 2023 RMB'000 (unaudited) | At 31 December 2022 RMB'000 (audited) |
|----------------------------------|--|---|
| Analysis for reporting purposes: | | |
| – Current liabilities | 11,032 | 11,459 |
| – Non-current liabilities | 2,973 | 8,284 |
| | 14,005 | 19,743 |

The Group entered into agreements with certain third parties, pursuant to which the Group disposed of its machineries to these third parties, and thereafter leases back such machineries for a period of 2 years with the options granted to the Group to repurchase these machineries at nominal considerations at the end of the lease periods. Ms. Lin Weishan, Mr. Wei Jiakun, Ms. Liu Rong and a related company controlled by Mr. Wei Jiakun have given guarantees for the Group's obligations under the agreements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the six months ended 30 June 2023

13. OTHER BORROWINGS (Continued)

Management is of the view that the transfer of the machineries under the above agreements does not satisfy the requirements as a sale of assets under HKFRS 15, accordingly the Group as a seller-lessee continues to recognize the assets and accounts for the transfer proceeds as other borrowings and monthly rental paid by the Group are recognised as repayment of other borrowings and interest thereon.

On initial recognition, at 31 December 2022 and 30 June 2023, the other borrowings are carried at the effective interest rates of 8.25%–14.32% per annum.

14. SHARE CAPITAL

| | No. of shares '000 | HK\$'000 | RMB'000 |
|--|-----------------------|--------------|--------------|
| Ordinary shares, issued and fully paid: | | | |
| At 31 December 2022 and 1 January 2023 | 399,000 | 3,990 | 3,564 |
| Issue of shares (ordinary shares of HK\$0.01 each) (i) | <u>59,990</u> | <u>599</u> | <u>550</u> |
| At 30 June 2023 | <u>458,990</u> | <u>4,589</u> | <u>4,114</u> |

(i) Issue of ordinary shares by share subscription

On 20 June 2023, the Company entered into the Share Subscription Agreement with Subscribers, pursuant to which the Company has conditionally agreed to allot and issue, and Subscribers has conditionally agreed to subscribe for, 59,990,000 Subscription Shares on the terms of the Share Subscription Agreement.

On 29 June 2023, the Company allotted and issued 59,990,000 ordinary shares at a price of HK\$0.194 per share to Subscribers and proceeds of the Share Subscription were received by the Group in June 2023.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

For the six months ended 30 June 2023

14. SHARE CAPITAL *(Continued)*

The Company was incorporated in the Cayman Islands on 25 May 2017 with an initial authorised share capital of HK\$380,000 divided into 38,000,000 shares with a par value of HK\$0.01 each, of which one fully paid share was allotted and issued on 25 May 2017. On 11 December 2019, the authorised share capital of the Company was increased from HK\$380,000 to HK\$10,000,000.

15. DIVIDEND

The Directors did not recommend the payment of any dividend for the six months ended 30 June 2023 (2022: Nil).

16. APPROVAL OF FINANCIAL INFORMATION

This financial information were approved and authorised for issue by the Board on 14 August 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 interim results of the Group for the six months ended 30 June 2023, together with the comparative figures for the corresponding period ended 30 June 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 six months ended 30 June | | | |
|---|----------------------------------|------------|---------------|------------|
| | 2023 | | 2022 | |
| | RMB'000 | % | RMB'000 | % |
| | (unaudited) | | (unaudited) | |
| – Sales of energy-efficient safety glass products | 79,096 | 99 | 68,792 | 97 |
| – Sales of smart glass products | 1,057 | 1 | 1,895 | 3 |
| | <u>80,153</u> | <u>100</u> | <u>70,687</u> | <u>100</u> |

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2023, revenue arising from energy-efficient safety glass products amounted to RMB79,096 thousand (2022: RMB68,792 thousand), representing 99% (2022: 97%) of our total revenue.

For the six months ended 30 June 2023, revenue arising from smart glass product amounted to RMB1,057 thousand (2022: RMB1,895 thousand).

The Group's total revenue increased 13.5% from RMB70,687 thousand for the six months ended 30 June 2023 to RMB80,153 thousand for the six months ended 30 June 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 RMB21,481 thousand for the six months ended 30 June 2022 to RMB26,123 thousand for the six months ended 30 June 2023. The increase was mainly due to the increase in sales of our products for the period (for the six months ended 30 June 2023: 32.6%; for the six months ended 30 June 2022: 30.4%). The table below sets forth the breakdown of our gross profit and gross profit margin by product category for the periods indicated:

| | For the six months ended 30 June 2023 | | 2022 | |
|---|--|-------------|------------------------|------|
| | RMB'000 (unaudited) | % | RMB'000 (unaudited) | % |
| – Sales of energy-efficient safety glass products | 25,693 | 32.5 | 20,934 | 30.4 |
| – Sales of smart glass products | 430 | 40.7 | 547 | 28.9 |
| Total gross profit/gross profit margin | 26,123 | 32.6 | 21,481 | 30.4 |

The gross profit margin of energy-efficient safety glass products increased from 30.4% to 32.5%; the gross profit margin of smart glass product increased from 28.9% to 40.7%.

MANAGEMENT DISCUSSION AND ANALYSIS

Other net income

The Group's other net income increased from RMB837 thousand for the six months ended 30 June 2022 to RMB3,581 thousand for the six months ended 30 June 2023.

Cost of sales

The Group's cost of sales increased from RMB49,206 thousand for the six months ended 30 June 2022 to RMB54,030 thousand for the six months ended 30 June 2023, which was mainly due to the increase in sales.

Sales and marketing expense

The Group's sales and marketing expense decreased from RMB141 thousand for the six months ended 30 June 2022 to RMB62 thousand for the six months ended 30 June 2023.

General and administrative expense

The Group's general and administrative expense decreased from RMB11,294 thousand for the six months ended 30 June 2022 to RMB7,791 thousand for the six months ended 30 June 2023, which was mainly due to the decrease of professional service fees.

Among which, our research and development costs decreased from RMB5,760 thousand for the six months ended 30 June 2022 to RMB5,677 thousand for the six months ended 30 June 2023.

Finance costs

The Group's finance costs increased from RMB2,007 thousand for the six months ended 30 June 2022 to RMB2,420 thousand for the six months ended 30 June 2023.

Staff costs

The Group's staff costs decreased from RMB2,541 thousand for the six months ended 30 June 2022 to RMB2,497 thousand for the six months ended 30 June 2023.

Income tax expense

The Group's income tax expenses increased from RMB1,888 thousand for the six months ended 30 June 2022 to RMB2,556 thousand for the six months ended 30 June 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 period, and having a higher income tax than last period.

Profit for the period

Due to the above factors, the net profit for the period of the Group was RMB16,875 thousand for the six months ended 30 June 2023, while there was a net profit of RMB6,988 thousand for the corresponding period in 2022, which was mainly because the sales increased and the general and administrative expense largely decreased in 2023.

Human resources and remuneration policies

As at 30 June 2023, the Group employed a total of 68 full-time employees. For the six months 30 June 2023, the Group's staff costs, including contributions to the defined contribution retirement scheme, salaries, wages and other benefits, amounted to approximately RMB37.27 thousand.

Liquidity and financial resources

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

As at 30 June 2023, the current ratio of the Group was 3.61, compared with 2.87 as at 31 December 2022. The cash and cash equivalents of the Group in aggregate amounted to RMB7,382 thousand as at 30 June 2023 (As at 31 December 2022: RMB13,268 thousand).

As at 30 June 2023, the bank loans of the Group amounted to RMB55,004 thousand (As at 31 December 2022: RMB61,500 thousand), and the Group did not experience any withdrawal of facilities, default in payment of trade and other payables, bank and loans or breach of financial covenants.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Material investments

For the six months ended 30 June 2023, the Group did not acquire or hold any significant investment (2022: nil).

Material acquisitions/disposals

For the six months ended 30 June 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 30 June 2023 and 30 June 2022, 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 year of 2020 and 2021, thus also triggering the slowdown of the development of the architectural glass industry. In the meanwhile, the PRC government has implemented a strong COVID-19 prevention and control policies. It was not until the fourth quarter of 2022 that the PRC government began to adjust its prevention and control policies and gradually relaxed controls nationwide. Thus, the risk factor of COVID-19 has been not significant.

Pledge of assets

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

As at 30 June 2023, property, plant and equipment with net book values of RMB87 thousand, (As at 31 December 2022: RMB87 thousand) were pledged as security to obtain bank loans of RMB37,200 thousand (As at 31 December 2022: RMB37,200 thousand).

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 June 2023 which would materially affect the Group's operating and financial performance as of the date of the financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Use of net proceeds from the share offer

The Company's shares were listed on the Stock Exchange on 13 January 2020 with a total of 75,000,000 offer shares issued and based on the final Offer Price of HK\$0.77 per Offer Share, the net proceeds raised from the global offering were approximately HK\$19.2 million (RMB17.1 million, exchange rate of HK\$ to RMB is 0.8919 on date of 13 January 2020). There was no change in the intended use of net proceeds as previously disclosed in the Prospectus. As at 30 June 2023, the net proceeds have been utilised as follows:

| Use | Approximate% of total actual net proceeds | Adjusted use of net proceeds in the manner and proportion as stated in the Prospectus | | Utilised net proceeds as at 30 June 2023 | Unutilised net proceeds as at 30 June 2023 |
|--|---|---|---------|--|--|
| | | HK\$'000 | RMB'000 | RMB'000 | RMB'000 |
| Upgrade the Group's existing production facilities | 51.3% | 9,800 | 8,741 | 8,741 | – |
| Repay the Group's bank loan | 10.8% | 2,100 | 1,873 | 1,873 | – |
| Enhance the Group's research and development capabilities | 12.9% | 2,500 | 2,230 | 2,230 | – |
| Enhance the infrastructure of information technology, production safety and environmental protection in order to upgrade the Group's Xianqiao Plant and ERP system | 14.4% | 2,800 | 2,497 | 2,497 | – |
| Expand the Group's sales and marketing coverage | 5.6% | 1,100 | 981 | – | 981 |
| Provide funding for the Group's working capital and other general corporate purposes | 5.6% | 900 | 803 | 803 | – |

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2023, RMB0.981 million of the proceeds remain unutilized. The delay in the application of the net proceeds is due to novel coronavirus disease (COVID-19) epidemic, which postpones the implementation of the Company's plan of expanding the Group's sales and marketing coverage. It was not until the fourth quarter of 2022 that the PRC government began to adjust its prevention and control policies and gradually relaxed controls nationwide. Thus, the risk factor of COVID-19 has been not significant. Based on the best estimation of the future market conditions, the Company intends to apply the unutilised net proceeds at the beginning of year 2023 and expects unutilised net proceeds to be fully utilized on or before 31 December 2023.

Future plans for material investments or capital assets

As at 30 June 2023, the Group did not have plans for material investments and capital assets.

Share Subscription

On 20 June 2023, the Company entered into the Share Subscription Agreement with Subscribers, pursuant to which the Company has conditionally agreed to allot and issue, and Subscribers has conditionally agreed to subscribe for, 59,990,000 Subscription Shares at the subscription price of HK\$0.194 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\$11,558,060. The Closing of the Share Subscription took place on 29 June 2023.

Disclosures under Rules 17.22 to 17.24 of the GEM Listing Rules

As at 30 June 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital commitment

| | At 30 June 2023 RMB'000 (unaudited) | At 31 December 2022 RMB'000 (audited) |
|----------------|--|--|
| Contracted for | <u>–</u> | <u>2,000</u> |

Gearing ratio

As at 30 June 2023, the Group's gearing ratio (total loans and borrowings/total equity) was 23.4%, compared with 30.2% as at 31 December 2022.

Dividend

The Directors did not recommend the payment of any dividend for the six months ended 30 June 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 purposes 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 six months ended 30 June 2023.

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

As at 30 June 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⁾ | 54.41% |
| Ms. LIN Weishan ("Ms. Lin") | Settlor of discretionary trust; Interest of spouse | 249,750,000 (L) ⁽²⁾ | 54.41% |

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 six months ended 30 June 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 30 June 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⁾ | 54.41% |
| Wei Family Limited | Interest in a controlled corporation | 249,750,000 (L) ⁽²⁾ | 54.41% |
| IQ EQ (BVI) Limited | Trustee of a trust | 249,750,000 (L) ⁽²⁾ | 54.41% |
| Mr. Wei | Settlor of a discretionary trust; Interest of spouse | 249,750,000 (L) ⁽²⁾ | 54.41% |
| Ms. Lin | Settlor of a discretionary trust; Interest of spouse | 249,750,000 (L) ⁽²⁾ | 54.41% |
| LIU Rong ("Ms. Liu") | Settlor of a discretionary trust | 249,750,000 (L) ⁽²⁾ | 54.41% |
| Orient Success Ventures Limited | Beneficial owner | 49,500,000 (L) ⁽³⁾ | 10.78% |
| WANG Yaqing | Interest in a controlled corporation | 49,500,000 (L) ⁽³⁾ | 10.78% |

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⁾ | 5.39% |
| LI Wei | Interest in a controlled corporation | 24,750,000 (L) ⁽⁴⁾ | 5.39% |

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

The Group had not entered into any related party transactions during the six months ended 30 June 2023.

OTHER INFORMATION

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 six months ended 30 June 2023.

IMPORTANT EVENTS AFTER THE 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 June 2023 and up to the date of this interim report.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2023.

SHARE OPTION SCHEME

The Company approved and adopted a share option scheme on 30 June 2023 (the "Scheme").

The purpose of the Share Option Scheme is to attract and retain the best available personnel of the Group, to provide additional incentive to the Eligible Participants and to promote the success of the business of the Group. Under the Scheme, the Directors may grant options to any eligible persons of the Group, including the directors (including independent non-executive directors) and employees (whether full-time or part-time) of any member of the Group (including persons who are granted Options under the Share Option Scheme as inducement to enter into employment contracts with any member of the Group). (The factors in assessing whether any person is eligible to participate in the Share Option Scheme include (1) the performance of the Directors and employees; (2) their time commitment, responsibilities or employment conditions according to the prevailing market practice and industry standard; (3) their length of engagement with the Group; and (4) their contribution or potential contribution to the development and growth of the Group).

Since the date of adoption and up to the date of this interim report, the Company has not granted or agreed to grant any share options under the Scheme.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

The shares of the Company were listed on GEM of the Stock Exchange on 13 January 2020. The Company has adopted the Corporate Governance Code (the “CG Code”) contained in Appendix 15 to the GEM Listing Rules as its own code of corporate governance. The Directors consider that throughout the six months ended 30 June 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 six months ended 30 June 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 six months ended 30 June 2023 have been prepared in compliance with the applicable accounting standards and the GEM Listing Rules and that adequate disclosures have been made.

DIVIDEND

The Board did not recommend the payment of interim dividend for the six months ended 30 June 2023.

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
China Hongguang Holdings Limited
LIN Weishan
Chairwoman and Executive Director

Hong Kong, 14 August 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.