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China Singyes New Materials Holdings Limited

中國興業新材料控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8073)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

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

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

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

This announcement, for which the directors (the “Directors”) of China Singyes New Materials Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the 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 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 herein or this announcement misleading.

The board (the “Board”) of Directors of the Company is pleased to announce the interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2019 (the “Period”).

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Revenue	63,970	60,527
Gross profit	23,649	26,020
Profit before tax	8,032	9,275
Profit for the period	6,695	7,649
Gross profit margin	37.0%	43.0%
Net profit margin	10.5%	12.6%
Earnings per share attributable to ordinary equity holders		
– Basic and diluted (six months 30 June 2018: Basic)	RMB0.012	RMB0.016
– Diluted	N/A	RMB0.016

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		For the six months ended 30 June	
	<i>Notes</i>	2019	2018
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
REVENUE	3	63,970	60,527
Cost of sales		<u>(40,321)</u>	<u>(34,507)</u>
Gross profit		23,649	26,020
Other income and gains		585	499
Selling and distribution expenses		(5,074)	(5,442)
Administrative expenses		(10,260)	(9,006)
Other expenses		(613)	(2,796)
Interest expense		(255)	—
PROFIT BEFORE TAX	4	8,032	9,275
Income tax expense	5	(1,337)	(1,626)
PROFIT FOR THE PERIOD		<u>6,695</u>	<u>7,649</u>
OTHER COMPREHENSIVE INCOME:			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements		<u>156</u>	<u>499</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>6,851</u>	<u>8,148</u>
Profit attributable to:			
Owners of the Company		6,259	7,649
Non-controlling interests		436	—
		<u>6,695</u>	<u>7,649</u>
Total comprehensive income attributable to:			
Owners of the Company		6,415	8,148
Non-controlling interests		436	—
		<u>6,851</u>	<u>8,148</u>
Earnings per share attributable to ordinary equity holders of the Company:			
Basic and diluted (six months ended 30 June 2018:			
Basic)	7	<u>RMB0.012</u>	<u>RMB0.016</u>
Diluted	7	<u>N/A</u>	<u>RMB0.016</u>

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2019

	<i>Notes</i>	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		45,450	49,746
Right-of-use assets		9,878	—
Payments in advance		4,000	—
Deferred tax assets		1,610	1,557
Goodwill		6,448	6,448
Total non-current assets		67,386	57,751
CURRENT ASSETS			
Inventories		15,847	15,377
Trade and bills receivables	8	139,615	142,970
Prepayments, deposits and other receivables	9	34,556	10,818
Pledged bank balances		20	20
Cash and cash equivalents		44,386	68,279
Total current assets		234,424	237,464
CURRENT LIABILITIES			
Trade payables	10	14,371	19,192
Other payables and accruals	11	35,645	36,155
Lease liabilities		2,250	—
Tax payable		1,418	2,715
Provision for product warranties		763	591
Total current liabilities		54,447	58,653
NET CURRENT ASSETS		179,977	178,811
Total assets less current liabilities		247,363	236,562
NON-CURRENT LIABILITIES			
Deferred tax liability		732	820
Lease liabilities		8,228	—
Deferred income		1,501	1,599
		10,461	2,419
Net assets		236,902	234,143
EQUITY			
Equity attributable to owners of the Company			
Issued capital	12	35,415	35,415
Reserves		195,876	193,553
		231,291	228,968
Non-controlling interests		5,611	5,175
Total equity		236,902	234,143

NOTES TO INTERIM CONDENSED FINANCIAL INFORMATION

For the six months ended 30 June 2019

1. CORPORATE INFORMATION

China Singyes New Materials Holdings Limited (the “Company”) is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company in Hong Kong is located at Unit 3108, 31/F, China Merchants Tower, Shun Tak Center, 168-200 Connaught Road Central, Hong Kong.

During the six months ended 30 June 2019 (the “Period”), the Company and its subsidiaries (collectively referred to as the “Group”) were principally engaged in the sale and installation of Indium Tin Oxide (“ITO”) film, and research and development, production, sale and installation of Smart Light-adjusting Film, Smart Light-adjusting Glass and Smart Light-adjusting Projection System in the mainland of the People’s Republic of China (the “PRC”). There were no significant changes in the nature of the Group’s principal activities during the Period.

In the opinion of the directors of the Company (the “Directors”), the parent company, the intermediate holding company and the ultimate holding company of the Company are Top Access Management Limited (“Top Access”), China Singyes Solar Technologies Holdings Limited (“Singyes Solar”) and Strong Eagle Holdings Limited (“Strong Eagle”), respectively. Both Top Access and Strong Eagle were incorporated in the British Virgin Islands. Singyes Solar was incorporated in Bermuda. The shares of Singyes Solar are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

2. BASIS OF PREPARATION

The unaudited interim condensed financial information for the Period has been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

The unaudited interim condensed financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s consolidated financial statements for the year ended 31 December 2018.

3. REVENUE AND OPERATING SEGMENT INFORMATION

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2019 <i>RMB'000</i> (Unaudited)	2018 <i>RMB'000</i> (Unaudited)
Revenue from contracts with customers	<u>63,970</u>	<u>60,527</u>

Set out below is the disaggregation of the Group's revenue from contracts with customers:

Type of goods or services

	For the six months ended 30 June	
	2019 <i>RMB'000</i> (Unaudited)	2018 <i>RMB'000</i> (Unaudited)
ITO film	27,007	10,278
Smart Light-adjusting Film	24,808	22,781
Smart Light-adjusting Glass	6,386	7,109
Smart Light-adjusting Projection System	140	19,092
Others	<u>5,629</u>	<u>1,267</u>
Total revenue from contracts with customers	<u>63,970</u>	<u>60,527</u>

Geographical markets

	For the six months ended 30 June	
	2019 <i>RMB'000</i> (Unaudited)	2018 <i>RMB'000</i> (Unaudited)
Domestic		
– Mainland China*	62,829	59,306
Others	<u>1,141</u>	<u>1,221</u>
Total revenue from contracts with customers	<u>63,970</u>	<u>60,527</u>

* The place of domicile of the Group's principal operating subsidiary is Mainland China. The principal revenue of the Group is generated in Mainland China.

Timing of revenue recognition

	For the six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Goods transferred at a point in time	63,970	60,527

Operating segment information

The Group's revenue and contribution to consolidated results are mainly derived from its sale of ITO Film, Smart Light-adjusting Film, Smart Light-adjusting Glass and Smart Light-adjusting Projection System and installation of Smart Light-adjusting Projection System, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for the purpose of resource allocation and performance assessment. In addition, the principal assets employed by the Group are located in Mainland China. Accordingly, no segment analysis is presented other than entity-wide disclosures.

Entity-wide disclosures

Geographical information

Non-current assets

	30 June 2019		31 December 2018	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	(Unaudited)			
Domestic				
– Mainland China*	64,166	97.6	54,471	96.9
Hong Kong	1,610	2.4	1,723	3.1
	65,776	100.0	56,194	100.0

* The non-current asset information above is based on the locations of the assets and excludes deferred tax assets.

Information about a major customer

Revenue from a major customer, which individually amounted to 10% or more of the total revenue, is set out below:

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Customer A	—	10,284

4. PROFIT BEFORE TAX

The Group's profit before tax was arrived at after charging:

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	<u>40,321</u>	<u>34,507</u>
Employee benefit expense: (including directors' and chief executive's remuneration):		
Wages and salaries	8,442	6,887
Pension scheme contributions	382	391
Equity-settled share option expense	<u>644</u>	<u>537</u>
	<u>9,468</u>	<u>7,815</u>
Depreciation of items of property, plant and equipment	4,271	3,010
Depreciation of right-of-use assets	1,053	—
Research costs	1,825	2,153
Interest expense	255	—
Equity-settled share option expense	644	537
Minimum lease payments under operating leases	23	548
Auditor's remuneration	400	400
Impairment loss on trade receivables	270	2,236
Foreign exchange losses, net	<u>308</u>	<u>535</u>

5. INCOME TAX

The major components of income tax expense were as follows:

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current – Mainland China		
Charge for the Period	1,478	1,974
Deferred	(141)	(348)
Total tax charge for the Period	<u>1,337</u>	<u>1,626</u>

Notes:

- (a) Pursuant to the rules and regulations of Bermuda, the Group is not subject to any income tax in Bermuda.
- (b) The applicable corporate income tax (“CIT”) rate for the Hong Kong incorporated subsidiary was 16.5% during the Period and the six months ended 30 June 2018. No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Period and the six months ended 30 June 2018.
- (c) During the Period and the six months ended 30 June 2018, one of the subsidiaries located in Mainland China was entitled to a preferential CIT rate of 15% on the assessable profits generated during the Period as it was accredited as a “High and New Technology Enterprise” from 28 November 2018 to 28 November 2021. Other subsidiaries located in Mainland China were entitled to a preferential PRC CIT rate of 10% as they were accredited as small and micro business.

6. DIVIDENDS

No interim dividend was proposed by the directors of the Company in respect of the Period (six months ended 30 June 2018: Nil).

The proposed final dividend of HK\$1.2 cents per ordinary share for the year ended 31 December 2018 amounting to RMB5,380,000 was declared in May 2019 and paid in June 2019.

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company, and the number of ordinary shares of 520,000,000 (For the six months ended 30 June 2018: 480,000,000) in issue during the period.

The calculation of the diluted earnings per share amount is based on the profit for the Period attributable to ordinary equity holders of the Company as used in the basic earnings per share calculation. The number of ordinary shares used in the calculation of diluted earnings per share is the number of ordinary shares in issue during the Period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares as illustrated below:

The calculations of basic and diluted earnings per share are based on:

	For the six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Earnings:		
Profit attributable to ordinary equity holders of the Company used in the basic earnings per share ordinary shares	<u>6,259</u>	<u>7,649</u>
	Number of shares	
	For the six months ended 30 June	
	2019	2018
Shares:		
Number of ordinary shares for the purpose of calculating basic earnings per share	520,000,000	480,000,000
Effect of dilution – weighted average number of ordinary shares:		
Share options*	<u>—</u>	<u>3,745,000</u>
	<u>520,000,000</u>	<u>483,745,000</u>

* No adjustment has been to the basic earnings per share amount for the Period in respect of a dilution as the exercise price of the Company's outstanding share options was higher than the average market price of the Company's shares during the Period.

8. TRADE AND BILLS RECEIVABLES

	30 June	31 December
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	
Trade receivables	146,643	149,245
Impairment	<u>(8,562)</u>	<u>(8,292)</u>
	138,081	140,953
Bills receivable	<u>1,534</u>	<u>2,017</u>
	<u>139,615</u>	<u>142,970</u>

The Group's trading terms with its customers are mainly on credit. The credit periods generally range from one to six months for major customers. Trade receivables from small and new customers are normally expected to be settled shortly after the delivery of goods. No credit period is set by the Group for small and new customers.

The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest bearing.

An ageing analysis of the trade and bills receivables as at the end of the reporting period, based on the billing date and net of impairment, is as follows:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000
Within 3 months	32,977	51,283
3 to 6 months	18,278	18,953
6 to 12 months	33,062	30,652
1 to 2 years	49,267	35,274
Over 2 years	6,031	6,808
	<u>139,615</u>	<u>142,970</u>

At 30 June 2019, retentions held by customers for contract works included in trade receivables amounted to approximately RMB2,876,000 (31 December 2018: RMB2,916,000).

9. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000
Prepayments to suppliers	5,130	6,089
Deposits	150	327
Due from related parties	26,520	2,465
Other receivables	2,756	1,937
	<u>34,556</u>	<u>10,818</u>

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

10. TRADE PAYABLES

An ageing analysis of the trade payables as at 30 June 2019 and 31 December 2018, based on the purchase recognition date, is as follows:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000
Within 6 months	9,370	13,371
6 to 12 months	2,886	463
1 to 2 years	1,330	2,233
2 to 3 years	519	336
Over 3 years	266	2,789
	<u>14,371</u>	<u>19,192</u>

Trade payables are non-interest-bearing and are normally settled on three-month terms.

11. OTHER PAYABLES AND ACCRUALS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000
Contract liabilities	4,294	2,813
Accrued expenses	651	2,276
Payroll and welfare payable	1,458	4,235
Tax and surcharge payables	20,798	20,573
Payables related to property, plant and equipment	1,119	4,007
Due to related parties	4,244	822
Other payables	3,081	1,429
	<u>35,645</u>	<u>36,155</u>

12. SHARE CAPITAL

Shares

	30 June 2019 US\$'000 (Unaudited)	31 December 2018 US\$'000
Authorised: 10,000,000,000 ordinary shares of US\$0.01 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid: 520,000,000 ordinary shares of US\$0.01 each	<u>5,200</u>	<u>5,200</u>
Equivalent to approximately RMB'000	<u>35,415</u>	<u>35,415</u>

13. SHARE OPTION SCHEME

The Company adopted a share option scheme (the “Scheme”) for the purpose of providing incentives and rewards to eligible persons for their contribution or potential contribution to the growth and development of the Group (“Eligible Persons”). Eligible Persons of the Scheme include:

- (i) (a) any director or proposed director (whether executive or non-executive, including any independent non-executive director), employee or proposed employee (whether full time or part time) of, or
- (b) any individual for the time being seconded to work for, any member of the Group or any substantial shareholder or any company controlled by a substantial shareholder;
- (ii) any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group; and
- (iii) for the purposes of the Scheme, shall include any company controlled by one or more persons belonging to any of the above classes of participants.

The Scheme was approved by the Company’s shareholders on 17 October 2017 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. Please refer to the Group’s annual financial statements for the year ended 31 December 2018 for details.

The following share options were outstanding under the Scheme during the Period:

	For the six months ended 30 June			
	2019		2018	
	Exercise price HK\$ per share	Number of options '000	Exercise price HK\$ per share	Number of options '000
At 1 January	1.16	21,000	—	—
Granted during the period	—	—	1.16	21,000
At 30 June	1.16	21,000	1.16	21,000

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

Number of options		Exercise price HK\$ per share	Exercise period
30 June 2019 '000	30 June 2018 '000		
7,000	7,000	1.16	31 January 2021 to 30 January 2028
7,000	7,000	1.16	31 January 2022 to 30 January 2028
7,000	7,000	1.16	31 January 2023 to 30 January 2028
21,000	21,000		

The Group recognised a share option expense of HK\$1,489,000 (equivalent to approximately RMB1,288,000) during the period (six months ended 30 June 2018: HK\$1,322,000, equivalent to approximately RMB1,074,000).

At the end of the reporting period, the Company had 21,000,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 21,000,000 additional ordinary shares of the Company and additional share capital of US\$210,000 (equivalent to approximately HK\$1,641,000, before issue expenses).

As at the date of approval of the interim condensed financial information, the Company had 21,000,000 share options outstanding under the Scheme, which represented approximately 4.038% of the Company's shares in issue as at that date.

14. EVENTS AFTER THE REPORTING PERIOD

As at the date of approval of the interim condensed financial information, the Group has no events after the reporting period that need to be disclosed.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group carries out research and development on, and manufactures and sells ITO film, Smart Light-adjusting Film, Smart Light-adjusting Glass and Smart Light-adjusting Projection System. The Group uses ITO film as one of the main materials for the development of downstream products, namely: (i) polymer dispersed liquid crystal film (i.e. Smart Light-adjusting Film); (ii) electronically switchable glass (i.e. Smart Light-adjusting Glass); and (iii) Smart Light-adjusting Projection System. The Group is one of the few integrated manufacturers in the PRC which produces and sells ITO film as well as a range of related downstream products.

ITO film can be applied for use in a variety of products including smart phones, GPS systems and other touch-screen devices and equipment such as automated teller machines. Our ITO film customers are primarily domestic touch-screen device manufacturers. Revenue from sales of ITO film was RMB27,007,000 for the six months ended 30 June 2019, which represented a significant increase of RMB16,729,000 or 162.8%, from RMB10,278,000 for the same period in 2018. In December 2018, the Group has acquired Huabei Limited to further expand its market share of ITO film in Southern China. This has largely contributed to the significant growth in sales volume for the six months ended 30 June 2019.

Smart Light-adjusting Film is made from the integration of ITO film (which we manufacture in-house) and polymer dispersed liquid crystals. Smart Light-adjusting Film can be switched from a milky, cloudy, translucent and opaque state into a colourless and transparent state when electricity is applied to it, and may be applied to windows and glass to control the passing-through of light. Our Smart Light-adjusting Film customers are primarily construction companies and contractors of developers. Revenue from sales of Smart Light-adjusting Film was RMB24,808,000 for the six months ended 30 June 2019, which represented an increase of RMB2,027,000 or 8.9%, from RMB22,781,000 for the same period in 2018 as a result of the growth in sales volume driven by the continuous expansion of the customer base.

Smart Light-adjusting Glass is manufactured by placing a layer of Smart Light-adjusting Film between two layers of glass. Smart Light-adjusting Glass permits a user to control the permeability of light through the glass by adjusting the voltage of electricity voltage applied to the Smart Light-adjusting Film fixed therein. Our Smart Light-adjusting Glass customers are primarily construction companies and contractors of developers. Revenue from sales of Smart Light-adjusting Glass was RMB6,386,000 for the six months ended 30 June 2019, which represented a decrease of RMB723,000 or 10.2%, from RMB7,109,000 for the same period in 2018.

Smart Light-adjusting Projection System makes use of project technology to project visual images onto projection screens. Such projection screens are manufactured using Smart Light-adjusting Products which is opaque when no power source is applied to it. Our Smart Light-adjust Projection System customers are primarily construction companies and commercial users. Revenue from sales of Smart Light-adjusting Projection System was RMB140,000 for the six months ended 30 June 2019, which represented a significant decrease of RMB18,952,000 or 99.3%, from RMB19,092,000 for the same period in 2018 because we have completed all the sales orders of Smart Light-adjusting Projection System within the year 2018 but just received new sales orders after the Chinese New Year holiday in 2019. Hence, we believe that the sale of Smart Light-adjusting Projection System will catch up in the second half of the year 2019.

Others represented sale of other products. The revenue from others was RMB5,629,000 for the six months ended 30 June 2019, which represented a significant increase of RMB4,362,000 or 344.3%, from RMB1,267,000 for the same period in 2018. Huabei Limited, the company being acquired in December 2018, has largely contributed to the growth in sale of other products for the six months ended 30 June 2019.

Our Group strives to manufacture and supply high quality products to our customers, and our Directors believe that our Group is a reputable supplier of ITO film and related downstream products in the PRC. Our key operating subsidiary was ranked as the leading manufacturer of Smart Light-adjusting Products and Smart Light-adjusting Projection Systems in the PRC in terms of market share by revenue. Leveraging on our current market position as a leading producer of Smart Light-adjusting Products and Smart Light-adjusting Projection Systems in the PRC in terms of market share, our business remained stable during the six months ended 30 June 2019. However, due to decrease in revenue from sales of Smart Light-adjusting Projection System, the Group recorded a profit attributable to owners of the Company of RMB6,259,000 for the six months ended 30 June 2019, which represented a decrease of RMB1,390,000 or 18.2%, from RMB7,649,000 for the same period in 2018.

OUTLOOK AND PROSPECTS

Our Directors believe that, as a market participant which is active in the technology sector, it is crucial for the business of our Group to devote substantial resources towards research and development (including identifying new materials and applications) which will advance or sustain its competitiveness in light of evolving market trends and customer preferences and needs. Further, our Directors believe that our Group's current market leading positions in the PRC by market share relating to its Smart Light-adjusting Products and downstream application (namely, the Smart Light-adjusting Projection System) is testimonial of sufficient market demand for its products and it is opportune time to capitalise and realise its potential in overseas markets. As such, our Group intends to extend its footprint to overseas markets as well as develop production lines which cater for expected demand for its products.

The shares of the Company were successfully listed on GEM on 21 July 2017 (the “Listing”). Our Directors believe that the net proceeds from the Listing will provide us with additional capital to implement our future plans, which would be conducive to increasing our competitiveness in the market in which we operate which will assist us in securing more customers and in turn assist us in achieving our goal of increasing our market presence and geographical reach both in the PRC and abroad. In addition, our Directors expect the Listing assist us to gain access to the capital market for the future growth of our Group.

The Subscription

Reference is made to the announcement issued jointly by the Company and China Singyes Solar Technologies Holdings Limited on 5 June 2019 in relation to, among other things, the Subscription, Non-disposal Undertaking and the Release (the “Joint Announcement”); and the announcement issued by the Company on 10 July 2019 of the appointment of independent financial adviser (the “Announcement”). Terms used herein shall have the same meanings as those defined in the Joint Announcement and the Announcement unless the context requires otherwise.

Pursuant to the Subscription Agreement, Singyes Solar has conditionally agreed to allot and issue to the Subscriber, and the Subscriber has conditionally agreed to subscribe for, at Completion, 1,687,008,585 Subscription Shares at the Subscription Price of HK\$0.92 per Subscription Share. The aggregate amount of the consideration for the Subscription Shares is approximately HK\$1,552,047,898. Assuming that there is no change in the issued share capital of Singyes Solar other than the issue of the Subscription Shares since the date of the Joint Announcement up to Completion, the 1,687,008,585 Subscription Shares represent (i) approximately 202.26% of the issued share capital of Singyes Solar as at the date of the Joint Announcement; (ii) approximately 66.92% of the issued share capital of Singyes Solar as enlarged by the allotment and issuance of the Subscription Shares; (iii) and approximately 65.86% of the issued share capital of Singyes Solar as enlarged by the allotment and issuance of the Subscription Shares and the exercise in full of all the outstanding Share Options and conversion rights under the outstanding Convertible Bonds.

The Subscription, if completed, would result in the Subscriber acquiring more than 50% of the voting rights of Singyes Solar and the Company (indirectly). Under the chain principle under Note 8 to Rule 26.1 of the Takeovers Code, the Subscriber would then be required to make a mandatory general offer to the Singyes NM Shareholders for all the issued Singyes NM Shares and other securities of the Company not already owned or agreed to be acquired by the Subscriber and parties acting in concert with it. Application has been made to the Executive for confirmation that as a result of the Subscription, the Subscriber will not be required to make a mandatory unconditional offer for all the Singyes NM Shares not already owned by it or parties acting in concert with it under the chain principle under Note 8 to Rule 26.1 of the Takeovers Code on the basis that the holdings in the Company are not significant in relation to Singyes Solar and that securing control of the Company is not one of the main purposes of the Subscription.

Release of the Non-Disposal Undertaking

As disclosed in the prospectus of the Company dated 30 June 2017 (the “Prospectus”), each of the then controlling shareholders of the Company has made the Non-Disposal Undertaking to the Company. In anticipation of the effect to the controlling shareholding of the Company should the Subscription be completed, the Directors propose to seek the approval of the Singyes NM Independent Shareholders on the release and discharge of the obligations of Mr. Liu Hongwei and Strong Eagle under the Non-disposal Undertaking by way of an ordinary resolution at the Singyes NM SGM. The Singyes NM IBC, comprising all the independent non-executive Directors, namely Mr. Lee Kwok Tung Louis, Mr. Wei Junfeng and Dr. Li Ling, has been formed to advise the Singyes NM Independent Shareholders as to the fairness and reasonableness of the Release.

Appointment of Independent Financial Adviser

Cypress House Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), has been appointed as the independent financial adviser of the Company (the “IFA”) to advise the Singyes NM IBC and the Singyes NM Independent Shareholders as to whether the Release is fair and reasonable and whether the Release is in the interests of the Company and the Company’s shareholders as a whole, and to advise the Singyes NM Independent Shareholders on how to vote at the Singyes NM SGM. The appointment of the IFA has been approved by the Singyes NM IBC. The letter of advice from the IFA in respect of the Release will be included in the circular to be despatched by the Company in due course.

FINANCIAL REVIEW

Revenue

Our revenue was RMB63,970,000 for the six months ended 30 June 2019, which represented a slight increase of RMB3,443,000, or 5.7% from RMB60,527,000 for the same period in 2018. The increase was primarily attributable to the increase in revenue from the sales of ITO Film.

Cost of sales and Gross Profit

Our cost of sales was RMB40,321,000 for the six months ended 30 June 2019, which represented an increase of RMB5,814,000, or 16.8%, from RMB34,507,000 for the same period in 2018. The increase in cost of sales mainly reflected the increase in sales of ITO film for the six months ended 30 June 2019 as compared to the same period in 2018.

Our gross profit decreased by RMB2,371,000 or 9.1%, from RMB26,020,000 for the six months ended 30 June 2018 to RMB23,649,000 for the six months ended 30 June 2019. Our gross profit margin decreased from 43.0% for the six months ended 30 June 2018 to 37.0% for the six months ended 30 June 2019. The decrease was mainly attributed to the decrease in revenue from sales of Smart Light-adjusting Projection System with higher gross profit margins as a percentage of total revenue.

Selling and distribution expenses

Our selling and distribution expenses were RMB5,074,000 for the six months ended 30 June 2019, which represented a decrease of RMB368,000, or 6.8%, from RMB5,442,000 for the same period in 2018. These mainly represented remuneration for sales and marketing employees based on sales performances and expenses relating to our marketing efforts in business promotion and participation in exhibitions. As a percentage of revenue, our selling and distribution expenses slightly dropped to 7.9% for the six months ended 30 June 2019 from 9.0% for same period in 2018.

Administrative expenses

Our administration expenses were RMB10,260,000 for the six months ended 30 June 2019, which represented an increase of approximately RMB1,254,000, or 13.9%, from RMB9,006,000 for the same period in 2018. For the six months ended 30 June 2019, the increases in administration expenses mainly reflected the increase in remuneration for administrative employees (including Directors' fee) and share option expense. As a percentage of revenue, our administrative expenses slightly increased to 16.0% for the six months ended 30 June 2019 from 14.9% for the same period in 2018.

Liquidity, Financial Resources and Capital Structure

Our primary use of cash is to satisfy our working capital and capital expenditure needs. Historically, our Group's use of cash has mainly been financed through a combination of cash received from the sales of our products and financial support from our Group's related parties.

As at 30 June 2019, our Group did not have any bank borrowings. Going forward, we believe our liquidity requirements will be satisfied using a combination of cash generated from operating activities, bank borrowings and proceeds from the Listing. Our Directors believe that in the long term, our Group's operation will be funded by internally generated cash flows and, if necessary, additional equity and/or debt financing.

Capital Expenditure

For the six months ended 30 June 2019, our capital expenditure amounted to RMB221,000 which was mainly for purchase of production machinery and test equipment.

Gearing Ratio

Gearing ratio is calculated by dividing the total liabilities by total equity at the end of the reporting period. At 30 June 2019, our gearing ratio remained stable at 27.4% (31 December 2018: 26.1%).

Capital Commitments

At 30 June 2019, the Group had no capital commitments (31 December 2018: Nil).

Contingent Liabilities

At 30 June 2019, the Group had no significant contingent liabilities (31 December 2018: Nil).

Pledge of assets

At 30 June 2019, the Group had pledged deposits amounting to RMB20,000 (31 December 2018: RMB20,000).

Significant Investments, Acquisitions and Disposals

During the six months ended 30 June 2019, the Group did not make any material acquisition or disposal of subsidiaries and associated companies and significant investments.

Foreign Currency Exposure

The Group's principal businesses are located in the PRC and most of the transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB, except for those of the overseas subsidiary in Hong Kong and the Company whose functional currency is HK\$ and certain items of cash and cash equivalents and other payables and accruals that are denominated in HK\$ and US\$.

The Group does not consider that it has any significant exposure to the risk of fluctuation in the exchange rates between HK\$, US\$ and RMB as a reasonable possible change of 5% in RMB against HK\$ and US\$ would have no significant financial impact on the Group's profit.

USE OF PROCEEDS FROM THE LISTING

The Shares of the Company were listed on GEM on 21 July 2017 (the "Listing Date") with net proceeds received by the Company from the Share Offer in the amount of HK\$93,500,000 after deducting underwriting commission and all related listing expenses.

An analysis of the utilization of the net proceeds from the Listing Date up to 30 June 2019 is set out below:

Business Strategy	Planned use of net proceeds as stated in the Prospectus up to 30 June 2019 <i>HK\$ million</i>	Actual use of net proceeds up to 30 June 2019 <i>HK\$ million</i>	Actual balances of proceeds up to 30 June 2019 <i>HK\$ million</i>
Overseas business expansion	7.0	2.1	4.9
Research and development of new materials and products	11.1	9.3	1.8
Purchase of machinery and equipment for production of anti-ambient screen	6.8	4.2	2.6
Enhancement to wide ITO film	4.3	2.1	2.2
Sales and marketing effects in the PRC	5.5	2.5	3.0
Project for full automation of production line for Smart Light-adjusting Products	12.0	4.7	7.3
Establishment and mass production of domestic laser none cinema systems	5.5	—	5.5
Installation of extra-wide production line for smart Light-adjusting Products	3.0	—	3.0
Installation of fully automated production line for pressing of glass	3.0	—	3.0
Working capital	5.3	5.3	—

The business strategies as set out in the Prospectus were based on the best estimation of the future market conditions made by the Group at the time of preparing the Prospectus. The use of proceeds was applied in accordance with the actual development of the market.

As at 30 June 2019, approximately HK\$30.2 million out of the net proceeds from the Share Offer had been used. The unused net proceeds have been deposited in licensed banks.

The Company intends to apply the net proceeds in the manner consistent with that set out in the Prospectus. However, the actual use of proceeds was lower than planned use of proceeds because of the delay in automation and installation of production lines. It has taken more time than expected to look for suitable machinery and equipment producers which could meet our production requirements. Recently, the Company has identified suitable machinery producer and expects to install new production line in the year 2019. The Directors will constantly evaluate the Group's business strategies and may change or modify plans against the changing market condition to attain sustainable business growth of the Group.

DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2019 (2018: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2019, we had a total headcount of 133 full-time employees. The remuneration package of our employees includes a basic salary, allowances and bonuses. The various allowances cover holidays, social security and housing contributions. We make contributions to all mandatory social security and housing provident funds for our employees.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at 30 June 2019, so far as the Directors are aware, the following persons have or are deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the Securities and Futures Ordinance (the “SFO”) or which were recorded in the register of the Company required to be kept by the Company under Section 336 of the SFO, or who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group:

Long position in the Shares

Name of shareholders	Capacity/ Nature of interests	Number of Shares held	Approximate percentage of shareholding (Note 6)
Top Access Management Limited	Beneficial owner	324,324,325	62.37%
China Singyes Solar Technologies Holdings Limited	Interest in a controlled corporation (Note 1)	324,324,325	62.37%
Strong Eagle Holdings Limited	Interest in a controlled corporation (Note 2)	324,324,325	62.37%
	Beneficial owner	3,473,589	0.67%
	Sub-total	327,797,914	63.04%
Mr. LIU Hongwei	Interest in a controlled corporation (Note 3)	327,797,914	63.04%
Oasis Investments II Master Fund Ltd.	Person having a security interest in shares	324,324,325	62.37%
Oasis Investments II Offshore Feeder Ltd.	Interest in a controlled corporation (Note 4)	324,324,325	62.37%
Oasis Management Company Ltd.	Investment manager	324,324,325	62.37%
Fischer Seth Hillel	Interest in a controlled corporation	324,324,325	62.37%
AMATA Limited	Beneficial owner	40,000,000	7.69%
Mr. Luo Jingxi	Interest in a controlled corporation (Note 5)	40,000,000	7.69%

Notes:

1. The entire issued share capital of Top Access Management Limited (“Top Access”) is legally and beneficially owned by China Singyes Solar Technologies Holdings Limited (“Singyes Solar”), which is deemed to be interested in the Shares held by Top Access under Part XV of the SFO.
2. Strong Eagle Holdings Limited (“Strong Eagle”) is the legal and beneficial owner of 203,802,750 shares of Singyes Solar, representing approximately 24.43% of the issued share capital in Singyes Solar. Strong Eagle is deemed to be interested in the Shares to which Singyes Solar is interested in (through its shareholding in Top Access) under Part XV of the SFO.
3. Strong Eagle is legally and beneficially owned by Mr. Liu Hongwei (a controlling shareholder, the non-executive Director and Chairman of the Company), Mr. Sun Jinli (an executive Director of the Company), Mr. Xie Wen, Mr. Xiong Shi and Mr. Zhuo Jianming as to 53%, 15%, 14%, 9% and 9% respectively. Mr. Liu Hongwei is deemed to be interested in the Shares to which Strong Eagle is interested in (through its indirect shareholding in Top Access through Singyes Solar) under Part XV of the SFO.
4. Oasis Investments II Master Fund Ltd. is beneficially and 86% owned by Oasis Investments II Offshore Feeder Ltd. As such, Oasis Investments II Offshore Feeder Ltd. is deemed to be interested in the Shares in which Oasis Investments II Master Fund Ltd. has a security interest under Part XV of the SFO.
5. AMATA Limited is legally and beneficially owned by Mr. Luo Jingxi, Mr. Hua Jianjun, Mr. Zhong Qibo and Mr. He Qiangmin as to 39%, 27%, 20% and 14% respectively. Mr. Luo Jingxi is deemed to be interested in the Shares held by AMATA Limited under Part XV of the SFO.
6. The percentage is calculated on the basis of 520,000,000 Shares in issue as at 30 June 2019.

Save as disclosed above, as at 30 June 2019, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person or corporation other than the Directors and the Chief Executives whose interests are set out in the section “Directors’ and Chief Executives’ interests and short positions in Shares, underlying Shares and debenture of the Company and its associated corporations” below, had any interest or short position in the Shares or underlying Shares of the Company that was required to be disclosed to the Company under the provisions of Divisions 2 and 3 or Part XV of the SFO.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURE OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2019, so far as the Directors are aware, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, have been notified to the Company and the Stock Exchange, are as follows:—

Long positions in the Shares

Name of Director(s)	Capacity/ Nature of Interests	Number of Shares held	Approximate percentage of shareholding <i>(Note 2)</i>
Mr. LIU Hongwei	Interest in a controlled corporation <i>(Note 1)</i>	327,797,914	63.04%

Notes:

- Mr. LIU Hongwei is a controlling shareholder and Chairman and non-executive Director of the Company. He is deemed to be interested in the Shares to which Strong Eagle is interested in (through its indirect shareholding in Top Access through Singyes Solar).
- The percentage is calculated on the basis of 520,000,000 Shares in issue as at 30 June 2019.

Long positions in the shares of China Singyes Solar Technologies Holdings Limited (Note 1)

Name of Director(s)	Capacity/ Nature of Interests	Number of Shares held	Approximate percentage of total registered share capital <i>(Note 5)</i>
Mr. Liu Hongwei	Interest of a controlled corporation	203,802,750 <i>(Note 2)</i>	24.43%
	Beneficial interest	1,379,120 <i>(Note 3)</i>	0.17%
	Sub-total	205,181,870	24.60%
Mr. Sun Jinli	Beneficial interest	1,379,120 <i>(Note 4)</i>	0.17%

Notes:

1. Singyes Solar is listed in the Main Board of the Stock Exchange with stock code: 750. Singyes Solar is a holding company of the Company pursuant to the SFO.
2. 203,802,750 shares of Singyes Solar are held by Strong Eagle, whose share capital is 53% owned by Mr. Liu Hongwei (the non-executive Director and Chairman of the Company). Mr. Liu Hongwei is deemed to be interested in these shares by virtue of the SFO.
3. 1,379,120 share options of Singyes Solar are directly beneficially owned by Mr. Liu Hongwei. Among these share options, 455,082 share options' exercise price is HK\$3.56 per share of Singyes Solar with exercise period from 23 January 2010 to 22 July 2019, 462,019 share options' exercise price is HK\$3.56 per share of Singyes Solar with exercise period from 23 July 2010 to 22 July 2019, 462,019 share options' exercise price is HK\$3.56 per share of Singyes Solar with exercise period from 23 July 2011 to 22 July 2019.
4. 1,379,120 share options of Singyes Solar are directly beneficially owned by Mr. Sun Jinli (an executive Director of the Company). Among these share options, 455,082 share options' exercise price is HK\$3.56 per share of Singyes Solar with exercise period from 23 January 2010 to 22 July 2019, 462,019 share options' exercise price is HK\$3.56 per share of Singyes Solar with exercise period from 23 July 2010 to 22 July 2019, 462,019 share options' exercise price is HK\$3.56 per share of Singyes Solar with exercise period from 23 July 2011 to 22 July 2019.
5. The percentage is calculated on the basis of 520,000,000 shares in issue of Singyes Solar as at 30 June 2019.

Save as disclosed above, as at 30 June 2019, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which was taken or deemed to have under such provisions of the SFO), or which was required to be recorded pursuant to Section 352 of the SFO, or as otherwise required pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its associated corporations" above, at no time since the Listing Date and up to the date of this announcement, was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) or to acquire benefits by means of acquisitions of shares in, or debentures of, the Company or any other body corporate.

INTEREST IN COMPETING BUSINESSES

Singyes Solar, one of the controlling shareholders (as defined under GEM Listing Rules) of the Company, has entered into the deed of non-competition dated 23 June 2017 (the “Deed of Non-competition”) in favour of the Company, details of which were set out in the Prospectus. Pursuant to the Deed of Non-competition, Singyes Solar has undertaken to our Company (for ourselves and as trustee for each of our subsidiaries) that with effect from the Listing Date, it shall not, and shall procure each of its close associates (other than our Group) shall not, whether on its own account or in conjunction with or on behalf of any person, firm or company and whether directly or indirectly, whether as a shareholder, director, employee, partner, agent or otherwise (other than being a director or shareholder of our Group or members of our Group), carry on or be engaged in, directly or indirectly, a business which is, or be interested or involved or engaged in or acquire or hold any rights or interest or otherwise involved in (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business which competes or may in any aspect compete directly or indirectly with the business or which is similar to the business currently and may from time to time be engaged by our Group (including but not limited to the production and sale and businesses ancillary to any of the foregoing).

Since the Listing Date and up to the date of this announcement, none of the Directors, the controlling shareholders of the Company or their respective close associates (as defined under the GEM Listing Rules) had any business or interest in a business which competes or may compete with the business of the Group and any other conflicts of interest with the Group.

The controlling shareholders of the Company have confirmed to the Company that from the Listing Date and up to the date of this announcement, Singyes Solar and its respective close associates (as defined under the GEM Listing Rules) have complied with the undertakings contained in the Deed of Non-competition.

INTERESTS OF THE COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Octal Capital Limited (“Octal Capital”) to be the compliance adviser. As informed by Octal Capital, neither Octal Capital nor any of its directors or employees or associates, has or may have, any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities), which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules, except for the compliance adviser agreement and the supplemental compliance adviser entered into between the Company and Octal Capital dated 30 August 2016 and 28 June 2017 respectively.

CORPORATE GOVERNANCE

Overview

The Board recognises the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability. The Directors consider that the Company has applied the principles and complied with all the applicable code provisions set out in the code provisions of the Corporate Governance Code as set out in Appendix 15 of the GEM Listing Rules during the six months ended 30 June 2019 and up to the date of this announcement (the “Relevant Period”).

Code of Conduct for Directors’ Securities Transactions

The Company has adopted a code of conduct regarding 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 Company has made specific enquiry of all Directors and all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding directors’ securities transactions adopted by the Company during the Relevant Period.

Purchase, Sale Or Redemption Of The Company’s Listed Securities

Neither did the Company redeem nor did the Company or any of its subsidiaries purchase or sell any of the Company’s listed securities during the Relevant Period.

Audit Committee

The Company has established the Audit Committee on 21 July 2017 in compliance with Rule 5.28 of the GEM Listing Rules. Among other things, the primary duties of the Audit Committee are to review and supervise the Company’s financial reporting process, internal control system and risk management system and to provide advice and recommendations to the Board on the appointment, reappointment and removal of external auditors.

The Audit Committee consists of three independent non-executive Directors, namely Mr. Lee Kwok Tung Louis, Mr. Wei Junfeng and Dr. Li Ling. Mr. Lee Kwok Tung Louis is the chairman of the Audit Committee.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed the financial reporting matters with senior management of the Company relating to the preparation of the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2019. This announcement has been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting principles and practices adopted by the Group and that adequate disclosure has been made.

By Order of the Board of
China Singyes New Materials Holdings Limited
LIU, Hongwei
Chairman

Hong Kong, 9 August 2019

As at the date of this announcement, the non-executive Director and the Chairman of the Company is Mr. Liu Hongwei; the executive Directors of the Company are Mr. Sun Jinli, Mr. Zhao Feng, Mr. Zhang Chao and Mr. Tang Liwen; and the independent non-executive Directors of the Company are Mr. Lee Kwok Tung Louis, Mr. Wei Junfeng and Dr. Li Ling.

This announcement will remain on the “Latest Company Announcements” page of the GEM website (www.hkgem.com) for at least 7 days from the date of its publication and on the website of the Company (www.syeamt.com).