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China Yu Tian Holdings Limited

中國宇天控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8230)

2018 THIRD QUARTERLY RESULTS ANNOUNCEMENT

The board (the “**Board**”) of directors (the “**Directors**”) of China Yu Tian Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries for the nine months ended 30 September 2018. This announcement, containing the full text of the 2018 Third Quarterly Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) in relation to information to accompany preliminary announcement of quarterly results.

By order of the Board of
China Yu Tian Holdings Limited
Wang Jindong
*Chief Executive Officer and
Executive Director*

Hong Kong, 13 November 2018

As at the date of this announcement, the executive Directors are Mr. Wang Jindong, Ms. Wang Xuemei, Mr. Tang Xiguang and Mr. Zhao Haibo; and the independent non-executive Directors are Mr. Cheng Bo, Mr. Huang Zhiwei and Mr. Wang Zhonghua.

This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this announcement misleading.

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



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THIRD QUARTERLY REPORT

2018

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.

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

This report, for which the directors of China Yu Tian Holdings Limited (the “Company”) 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 of the Company (the “Directors” and each, a “Director”), 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 in this report misleading.

Corporate Information

Board

Executive Directors

Ms. Wang Xuemei (王雪梅) (*Chairlady*)

Mr. Wang Jindong (王進東)

(*Chief Executive Officer*)

Mr. Tang Xiguang (唐夕廣)

Mr. Zhao Haibo (趙海波)

Independent Non-Executive Directors

Mr. Cheng Bo (程波)

Mr. Huang Zhiwei (黃志偉)

Mr. Wang Zhonghua (王中華)

Board Committees

Audit Committee

Mr. Cheng Bo (程波) (*Chairman*)

Mr. Wang Zhonghua (王中華)

Mr. Huang Zhiwei (黃志偉)

Remuneration Committee

Mr. Huang Zhiwei (黃志偉) (*Chairman*)

Mr. Wang Zhonghua (王中華)

Mr. Cheng Bo (程波)

Nomination Committee

Mr. Wang Zhonghua (王中華) (*Chairman*)

Mr. Cheng Bo (程波)

Mr. Huang Zhiwei (黃志偉)

Compliance Officer

Ms. Wang Xuemei (王雪梅)

Joint Company Secretaries

Mr. Tso Ping Cheong, Brian (曹炳昌)

FCPA, FCCA, FCIS, FCS

Mr. Xu Yibin (許倚濱)

Principal Place of Business in Hong Kong

Unit 1908, 19/F

9 Queen's Road Central

Central, Hong Kong

Head Office, Headquarters and Principal Place of Business in PRC

East side of Provincial Highway 328

North side of Yejin Avenue

Hongze County, Huai'an City

Jiangsu Province, PRC

Registered Office

Floor 4, Willow House, Cricket Square

PO Box 2804, Grand Cayman KY1-1112

Cayman Islands

Cayman Islands Principal Share Registrar and Transfer Office

Estera Trust (Cayman) Ltd.
Clifton House
75 Fort Street
PO Box 1350
Grand Cayman
KY1-1108
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Boardroom Share Registrars (HK) Limited
31/F, 148 Electric Road
North Point
Hong Kong

Principal Bankers

Jiangsu Hongze Rural
Commercial Bank Development
Zone Sub-Branch* (江蘇洪澤農村
商業銀行開發區支行)
Shanghai Pudong Development Bank
Co., Ltd. Huai'an Branch* (上海浦東
發展銀行股份有限公司淮安分行)
Postal Savings Bank of China Co., Ltd.
Huai'an Branch* (中國郵政儲蓄銀行
股份有限公司淮安分行)

Auditor

KPMG

Company Website

www.hkkgg.hk

Stock Code

8230

Authorised Representative

Mr. Wang Jindong (王進東)
(Chief Executive Officer)
Mr. Tso Ping Cheong, Brian (曹炳昌)
FCCA, FCCA, FCIS, FCS

* *For identification purpose only*

Third Quarterly Unaudited Results

The board of Directors of the Company (the “Board”) hereby presents the condensed unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months and nine months ended 30 September 2018, together with the unaudited comparative figures for the corresponding period in 2017 as follows:

Condensed Consolidated Statement of Profit or Loss

For the three and nine months ended 30 September 2018

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
REVENUE	2	160,820	140,367	369,855	418,439
Cost of sales		(136,231)	(124,328)	(306,427)	(349,084)
Gross profit		24,589	16,039	63,428	69,355
Other (expenses)/income	3	449	(6,287)	1,416	(10,812)
Distribution costs		(446)	(406)	(1,465)	(1,727)
Administrative expenses		7,287	1,578	(19,689)	(15,173)
Profit from operations		17,305	10,924	43,690	41,643
Finance costs	4(a)	(5,934)	(5,607)	(16,860)	(15,329)
Profit before taxation	4	11,371	5,317	26,830	26,314
Income tax charge	5	(2,817)	(1,578)	(5,369)	(6,106)
Profit for the period		8,554	3,739	21,461	20,208
Earnings per share	6				
Basic and diluted (RMB)		0.01	0.00	0.03	0.02

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the three and nine months ended 30 September 2018

	For the three months ended 30 September		For the nine months ended 30 September	
	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Profit for the period	8,554	3,739	21,461	20,208
Other comprehensive income for the period				
Item that may be reclassified subsequently to profit and loss:				
Exchange differences on translation of financial statements of overseas companies	(420)	810	(1,825)	2,114
Total comprehensive income for the period	8,134	4,549	19,636	22,322

Condensed Consolidated Statement of Changes in Equity

For the nine months ended 30 September 2018

	Share capital	Share premium	Capital reserves	PRC		Retained earnings	Total equity
				statutory reserves	Exchange reserves		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2018 (Audited)	6,779	189,199	1,658	25,904	3,940	160,345	387,825
Total comprehensive income for the period	-	-	-	-	(1,825)	21,461	19,636
Balance at 30 September 2018 (Unaudited)	6,779	189,199	1,658	25,904	2,115	181,806	407,461
Balance at 1 January 2017 (Audited)	6,779	189,199	-	16,628	137	131,503	344,246
Total comprehensive income for the period	-	-	-	-	2,114	20,208	22,322
Balance at 30 September 2017 (Unaudited)	6,779	189,199	-	16,628	2,251	151,711	366,568

Notes to the Unaudited Consolidated Results

For the nine months ended 30 September 2018

1 Significant accounting policies

(a) General information

The Company was incorporated in the Cayman Islands on 13 November 2013 as an exempted company with limited liability under the Companies Law (2011 Revision) (as consolidated and revised) of the Cayman Islands.

Pursuant to a group reorganisation completed on 27 January 2014 (the "Reorganisation") to rationalize the Group's structure in preparation for the public offering of the Company's shares on GEM of the Stock Exchange, the Company became the holding company of the Group. The Company's shares were listed on GEM of the Stock Exchange on 29 December 2015.

Intra-group balances and intra-group transactions are eliminated in full in preparing the financial information.

(b) Statement of compliance

The condensed unaudited consolidated results for the nine months ended 30 September 2018 have been prepared in accordance the applicable disclosure provision of the GEM Listing Rules.

The condensed unaudited consolidated results for the nine months ended 30 September 2018 have been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements except for the accounting policy changes that are expected to be effected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in note 1(d).

(c) Basis of preparation of the unaudited consolidated results

The condensed unaudited consolidated results for the nine months ended 30 September 2018 comprise the Group.

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

The preparation of condensed unaudited consolidated results the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

(d) Changes in accounting policies

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are relevant to its operations and effective for its accounting period beginning on 1 January 2018. The application of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years. The Group has not early applied the new and revised HKFRSs that have been issued but are not yet effective. The Directors anticipate that the application of these new standard(s), amendments and interpretation(s) will have no material impact on the condensed unaudited consolidated financial statements.

2 Revenue

The principal activities of the Group are the manufacture and sale of coated architectural glass products, coated glass production equipment and capacitive touch panel (“CTP”) module components.

The amount of each significant category of revenue is as follows:

	For the three months ended 30 September		For the nine months ended 30 September	
	2018 (Unaudited) RMB’000	2017 (Unaudited) RMB’000	2018 (Unaudited) RMB’000	2017 (Unaudited) RMB’000
Sales of coated architectural glass products	4,211	12,397	46,847	50,429
Sales of coated glass production equipment	25,424	–	39,747	27,333
Sales of CTP module components	131,185	127,970	283,261	340,677
	160,820	140,367	369,855	418,439

3 Other (expenses)/income

	For the three months ended 30 September		For the nine months ended 30 September	
	2018 (Unaudited) RMB’000	2017 (Unaudited) RMB’000	2018 (Unaudited) RMB’000	2017 (Unaudited) RMB’000
Government grants	206	249	524	1,020
Interest income	8	5	20	38
Foreign exchange (losses)/gains	235	(6,541)	872	(11,870)
	449	(6,287)	1,416	(10,812)

4 Profit before taxation

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

(a) Finance costs:

	For the three months ended 30 September		For the nine months ended 30 September	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
Interest on loans and borrowings	5,834	5,507	16,381	15,029
Other finance costs	100	100	479	300
	5,934	5,607	16,860	15,329

(b) Staff costs:

	For the three months ended 30 September		For the nine months ended 30 September	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
Salaries, wages and other benefits	2,915	3,148	7,959	8,276
Contributions to defined contribution retirement plan	465	662	1,349	1,521
	3,380	3,810	9,308	9,797

(c) Other items:

	Note	For the three months ended 30 September		For the nine months ended 30 September	
		2018	2017	2018	2017
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		RMB'000	RMB'000	RMB'000	RMB'000
Cost of inventories	(i)	136,231	124,328	306,427	350,023
Depreciation		6,112	5,911	19,295	12,484
Amortisation of lease prepayments		204	204	611	611
Research and development costs		1,898	632	6,599	10,707
(Reversal of impairment losses)/ Impairment losses on trade and other receivables		-	(3,847)	-	(3,847)
Operating lease charges		78	78	233	233

- (i) Cost of inventories included staff costs of RMB6,117,000 (2017: RMB6,277,000) and depreciation of RMB16,951,000 (2017: RMB11,935,000) for the nine months ended 30 September 2018, which are also included in the respective total amounts disclosed separately above or in note 4(b).

5 Income tax charge

	For the three months ended 30 September		For the nine months ended 30 September	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
Current tax:				
Provision for PRC income tax for the period	3,373	1,539	6,498	6,589
Deferred tax:				
Origination and reversal of temporary differences	(556)	39	(1,129)	(483)
	2,817	1,578	5,369	6,106

- (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.
- (iii) The PRC subsidiary, Jiangsu Yutian Gangbo New Material Co., Ltd. (“Jiangsu Yutian”) was subject to the PRC statutory income tax rate of 25%. In 2013, it was accredited as a “High and New Technology Enterprise” (“HNTE”) and was entitled to a preferential income tax rate of 15% for a period of three years from 2013 to 2015. Jiangsu Yutian subsequently renewed its HNTE qualification in 2016, and is entitled to the preferential tax rate of 15% from 2016 to 2018.

6 Earnings per share

The calculation of basic earnings per share is based on the profit for the three months ended 30 September 2018 of RMB8,554,000 (2017: RMB3,739,000) and the weighted average of 810,000,000 ordinary shares in issue (2017: 810,000,000 shares in issue) during the three months ended 30 September 2018.

The calculation of basic earnings per share is based on the profit for the nine months ended 30 September 2018 of RMB21,461,000 (2017: RMB20,208,000) and the weighted average of 810,000,000 ordinary shares in issue (2017: 810,000,000 shares in issue) during the nine months ended 30 September 2018.

Weighted average number of ordinary shares

	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Issued ordinary shares as at 1 January	810,000	810,000
Issued ordinary shares as at 30 June	810,000	810,000
Issued ordinary shares as at 30 September	810,000	810,000

There were no dilutive potential ordinary shares and, therefore, diluted earnings per share is equal to basic earnings per share.

7 Approval of financial information

These financial information was approved and authorised for issue by the Board on 13 November 2018.

Management Discussion and Analysis

Introduction and Business Review

The Group engaged in the manufacture and sale of industrial coated products as well as design and assembly of coated glass production equipment. Our proprietary coating technologies can be utilized for a wide variety of industrial products, including coated architectural glass and CTP module components. Our business model of offering a wide array of industrial coated products and coated glass production equipment is made possible by our broad range of capabilities. Our extensive industrial coating expertise and understanding of customers' needs allow us not only to continuously refine our production process and coating techniques to develop high-quality coated glass products, but also enable us to upgrade our coated glass manufacturing equipment.

Leveraging our extensive experience and know-how in industrial coating, we commenced commercial production of CTP module components for use in electronic devices in March 2014, and rapid growth has been achieved in 2015 and 2016. The Company believes that amid the rapid development of global electronic devices such as mobile phones and tablets, our CTP products will attain constant and fast development.

The Board is pleased to present the third quarterly results of the Group for the nine months ended 30 September 2018 (the "Period"), together with the comparative figures for the corresponding nine months ended 30 September 2017.

Financial Review

Revenue

Our revenue was generated from the sale of our: (i) coated architectural glass; (ii) coated glass production equipment; and (iii) capacitive touch panel (“CTP”) module components.

The following table sets forth the breakdown of our Group’s revenue by segment:

	For the nine months ended 30 September	
	2018 (Unaudited) RMB’000	2017 (Unaudited) RMB’000
Sales of coated architectural glass products	46,847	50,429
Sales of coated glass production equipment	39,747	27,333
Sales of CTP module components	283,261	340,677
	369,855	418,439

For the nine months ended 30 September 2018, revenue from coated architectural glass amounted to RMB46.8 million (30 September 2017: RMB50.4 million), representing 12.7% of our total revenue (30 September 2017: 12.1%).

Revenue from sales of coated glass production equipment for the nine months ended 30 September 2018 amounted to RMB39.7 million (30 September 2017: RMB27.3 million), representing 10.7% of our total revenue (30 September 2017: 6.5%).

Revenue from CTP module components for the nine months ended 30 September 2018 amounted to RMB283.3 million (30 September 2017: RMB340.7 million), representing 76.6% of our total revenue (30 September 2017: 81.4%).

Total revenue of the Group decreased by 11.6% from RMB418.4 million for the nine months ended 30 September 2017 to RMB369.9 million for the nine months ended 30 September 2018, which was mainly attributable to the decrease of reliance on the non-mainland China market for the revenue generated from sales of CTP module components and handset accessories.

Gross profit and gross profit margin

Our gross profit decreased from RMB69.4 million for the nine months ended 30 September 2017 to RMB63.4 million for the nine months ended 30 September 2018. Our gross profit margin remains constant at 16.6% for the nine months ended 30 September 2017 and 17.1% for the nine months ended 30 September 2018. The following table sets forth a breakdown of our gross profit and gross profit margin by segment for the periods indicated:

	For the nine months ended 30 September			
	2018	2017		
	Gross profit (Unaudited) RMB'000	Gross Profit margin %	Gross profit (Unaudited) RMB'000	Gross Profit margin %
Coated architectural glass products	9,050	19.3	10,752	21.3
Coated glass production equipment	7,912	19.9	7,601	27.8
CTP module components	46,465	16.4	51,002	15.0
Total gross profit/gross profit margin	63,427	17.1	69,355	16.6

The decrease of gross profit margin of coated architectural glass products from 21.3% for the nine months end 30 September 2017 to 19.3% for the nine months ended 30 September 2018 was mainly due to the intense market competition of coated architectural glass and the decrease of average selling price of the products.

The decrease of gross profit margin of coated glass production equipment from 27.8% for the nine months ended 30 September 2017 to 19.9% for the nine months ended 30 September 2018 was mainly due to change in the product mix which some higher-end raw materials with higher costs were used.

The increase of gross profit margin of CTP module components from 15.0% for the nine months ended 30 September 2017 to 16.4% for the nine months ended 30 September 2018 was mainly due to the increase of raw material costs.

Other income and expenses

Other income and expenses of the Group changed from a net other income of RMB10.8 million for the nine months ended 30 September 2017 to a net other expenses of RMB1.4 million, which was mainly attributable to the foreign exchange loss of RMB0.9 million during the period (2017: foreign exchange gain of RMB11.9 million).

Administrative expenses

The Group's administrative expenses increased by 29.8% from RMB15.2 million the nine months ended 30 September 2017 to RMB19.7 million for the nine months ended 30 September 2018. Our administrative expenses mainly include research and development cost, professional services expenses, travel and office expenses, administrative staff cost and impairment losses in trade and other receivables. The increase during the period was mainly attributable to the cost and fee incurred due to the application for the transfer of listing to the main board.

Finance cost

The Group's finance costs increased by 10.0% from RMB15.3 million for the nine months ended 30 September 2017 to RMB16.9 million for the nine months ended 30 September 2018, which was due to the issue of notes payable in 2017 and 2018.

Income tax expenses

The Group's income tax was a charge of RMB6.1 million for the nine months ended 30 September 2017 and was a charge of RMB5.4 million for the nine months ended 30 September 2018, which was in line with the changes on the profit before taxation during the period.

Profit for the period attributable to the owners of the Company and total comprehensive income

The profit and total comprehensive income for the nine months ended 30 September 2017 attributable to the owners of the Company was RMB20.2 million and RMB22.3 million respectively and the profit for the period attributable to the owners of the Company was RMB21.5 million and RMB19.6 million respectively. The decrease during the period was mainly attributable to the combined effect of the decrease in revenue, gross profit and increase in administrative expenses as discussed above during the period.

Human resources and remuneration policies

As at 30 September 2018, the Group employed a total of 230 full-time employees. For the nine months ended 30 September 2018, the Group's staff costs, including the Directors' remuneration, amounted to approximately RMB852 million. Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employees. In addition to basic salary, the Group also offers bonus to staff with outstanding performance to attract and retain eligible employees to contribute to the Group. Apart from basic remuneration, the Group may also grant share options to eligible employees by reference to their performance and individual contribution.

Liquidity, financial resources and capital structure

The Group's credit risk is primarily attributable to trade receivables and bank balances. In order to minimise the 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 irrecoverable amounts. In this regard, the Directors considered that the credit risk on trade debts of the Group is significantly reduced.

On 13 October 2016, the Company and Ms. Wang Xuemei (the “Guarantor”) entered into a subscription agreement with Chance Talent Management Limited (the “Original Noteholder”), pursuant to which the Company agreed to issue and the Original Noteholder agreed to subscribe for HK\$115,000,000, 10% senior guaranteed secured notes due in 2018. 207,000,000 Shares held by Sky Prosper Global Limited (which is held as to 80% by Ms. Wang Xuemei and 20% by Fu Hong Global Limited (富鴻環球有限公司) which in turn is held as to 100% by Ms. Wang Xuemei) were pledged to Chance Talent Management. It would be an event of default under the terms of the notes, if (i) the Guarantor shall cease to directly or indirectly hold all the issued shares in Sky Prosper; (ii) Sky Prosper ceases to be the largest shareholder of the Company or the Guarantor ceases to be directly or indirectly the largest shareholder of the Company; and (iii) the Guarantor ceases to be the chairlady of the Board. The net proceeds of the notes issued, after deducting fees, commissions and expenses, were approximately HK\$114,000,000. The Company will use the net proceeds as the general working capital of the Group and to finance any potential investment opportunities of the Group that may arise from time to time. For more details, please refer to the announcement of the Company dated 13 October 2016.

During the nine months ended 30 September 2018, the Company issued additional notes of HK\$2,000,000 to individual investors through a third-party capital management service company. These notes are unsecured and repayable from 2017 to 2024 and bear fixed interest rates ranged from 6.5% to 7% per annum.

As at 30 September 2018, the Group’s current ratio was 1.27, compared to 1.39 as at 31 December 2017, which was remained healthy during the period. As at 30 September 2018, the Group’s cash and cash equivalent totalled RMB22.3 million (31 December 2017: RMB63.2 million).

As at 30 September 2018, the Group’s loans and borrowings amounted to RMB70.0 million (as at 31 December 2017: RMB76.0 million), and debenture payable amounted to RMB150.5 million (31 December 2017: RMB142.0 million). The Group did not experience any withdrawal of facilities, default in payment of trade and other payables, loans and borrowings or breach of financial covenants. 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/related 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 irrecoverable amounts. The credit risk on bank balances is limited as most of the bank balances are at banks with high credit ratings assigned by international credit ratings agencies.

On 29 December 2015, ordinary shares of the Company (the “Shares”) were listed successfully on GEM of the Stock Exchange. Since then, the Group’s capital structure has not been changed, which mainly consists of ordinary shares and loans and borrowings mentioned above.

Significant investments

The Group did not acquire or hold any significant investments during the nine months ended 30 September 2018 (2017: Nil).

Future plans for material investments or capital assets

As at 30 September 2018, the Group had not entered into any agreement for any material investment or acquisition. The Group will continue to look for suitable opportunities for investments or acquisition of material capital assets to enhance its profitability in the ordinary course of business.

Material acquisition/disposal

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the nine months ended 30 September 2018 (2017: Nil).

Risk of foreign exchange exposure

Most of the Group’s cash balances and transactions are either denominated in Renminbi or Hong Kong Dollars, i.e. functional currencies of relevant group entities. The Group does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. As at 30 September 2018, the Group did not have any outstanding hedge instruments.

Principal risks and uncertainties facing the Company

The following lists out the principal risks and uncertainties facing the Company in achieving business objectives and the Group's approach to tackle them:

Impact of Local and International Regulations

The business operation of the Group is also subject to government policy, relevant regulations and guidelines established by the regulatory authorities. Failure to comply with the rules and requirements may lead to penalties, amendments or suspension of the business operation by the authorities. The Group closely monitors changes in government policies, regulations and markets as well as conducting studies to assess the impact of such changes.

Third-Party Risks

The Group has been relying on third-party service providers in parts of business to improve performance and efficiency of the Group. While gaining the benefits from external service providers, the management realizes that such operational dependency may pose a threat of vulnerability to unexpected poor or lapses in service including reputation damage, business disruption and monetary losses. To address such uncertainties, the Group engages only reputed third-party providers and closely monitors their performance.

Pledge of assets

During the nine months ended 30 September 2018, property, plant and equipment of RMB124.1 million (31 December 2017: RMB137.3 million), and lease payment of RMB24.7 million (31 December 2017: RMB25.3 million) were pledged as security for bank and other loans and bill payable.

Gearing Ratio

As at 30 September 2018, the Group has gearing ratio (total notes payable, loans and borrowings/total equity) of 54.11% compared to that of 56.21% as at 31 December 2017.

Outlook and Prospects

The Group was listed on GEM of the Stock Exchange on 29 December 2015 (the “Listing Date”) and the fund raised from the listing laid a solid foundation for the future development of the Group.

In light of the softening of policies on the real estate market of Mainland China, it is generally expected that the real estate market will surge. Moreover, the government has set higher requirements for environmental protection in the “Thirteenth Five-Year” plan. The Board believes that the Low-E glass market will maintain rapid development in the future, however, the growth rate of the Low-E glass market will slow down comparatively as the development of the real estate market slows down due to government policies relating to the control on national macroeconomic development and regulation on the real estate market. As the Low-E glass industry is heavily affected by downstream industries, which are likely to be adversely affected by the governmental regulation and control in domestic real estate market, in order to reduce the negative effect of the fluctuation of the real estate market in China which closely affect our business of coated architectural glass, the Group started to shift its business focus to CTP module components since 2016. On the other hand, with the continuous rapid development of electronic technology, China has become the largest production base and market of electronic products in the world. In 2017, Jiangsu Yutian had an annual production capacity of 7 million units CTP module components and had a market share of approximately 0.64% in China. The Board believes this will continue to stimulate the demand for electronic CTP module component products provided by the Group in an effective manner.

In order to increase the Group’s competitiveness, the Group also provides more technological advanced products on a timely manner to cater for customers’ need. Currently, we have three production lines – one for coated architectural glass and two for CTP module components, one of which commenced commercial production in June 2017. We are also in the process of developing and assembling another new production line to cope with the continuous demand of our on-cell CTP module components by our customers and the trial operation of such new production line is expected to be commenced in the second half of 2018.

Furthermore, in view of the new development opportunities emerged in the electronic product market, the Group will actively seek acquisition or investment opportunities that can add value to the Company so as to enhance the position of the Group and its underlying value by satisfying the growing demand of the market. With the Company extensive experience in the field of coating and market data analysis, it is believed that the Group's strategic plan will seize related opportunities and bring new growth drivers to the development of the Group.

Contingent Liabilities

A subsidiary of the Company was a defendant in a lawsuit filed in April 2015 in relation to a contract dispute. The plaintiff, who supplied equipment for the subsidiary's production of CTP module components, filed a lawsuit to request the subsidiary to make certain payments of RMB1.3 million under a purchase contract entered into between the plaintiff and the subsidiary, and claimed losses with accrued interest of approximately RMB0.2 million. The subsidiary filed a counterclaim against the plaintiff on the ground that the final product delivered by the plaintiff failed to meet the operating standard as agreed in the purchase contract. The subsidiary lost the lawsuit at the trial court and appealed to the court of appeal. The court of appeal revoked the decision of the trial court and remanded the lawsuit to the trial court. As at 30 September 2018, the Group has accrued the amount payable in accordance with purchase contract. Up to the date of issue of this report, the case was under first trial. The Directors, based on the advice from its legal counsel, considered that it would be very unlikely that the Group will be fined and accordingly, except for the contract amount payable of RMB1.3 million, no provision has been made in respect of this claim.

Dividend

The Directors did not recommend the payment of any dividend for the nine months ended 30 September 2018 (2017: Nil).

Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures

As at 30 September 2018, the interests or short positions of the Directors and chief executives in 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 Rules 5.46 to 5.67 of the GEM Listing Rules (the "Required Standard of Dealings"), were as follows:

(i) Long positions in the Shares of the Company

Name	Nature of interest	The Total Number of Shares held	Percentage of shareholding
Ms. Wang Xuemei (Chairlady)	Interest in controlled corporation (Note 1)	450,000,000	55.56%
Mr. Wang Jindong	Interest of spouse (Note 2)	450,000,000	55.56%

Notes:

- 1 Sky Prosper Global Limited is held as to 80% by Ms. Wang Xuemei and 20% by Fu Hong Global Limited (富鴻環球有限公司) (which in turn is held as to 100% by Ms. Wang Xuemei).
- 2 Mr. Wang Jindong is the spouse of Ms. Wang Xuemei. Under the SFO, Mr. Wang Jindong is deemed to be interested in all the Shares in which Ms. Wang Xuemei is interested in.

(ii) Associated corporation – Sky Prosper Global Limited

Name of Director	Nature of Interest	Number and class of securities in the associated corporation	Approximate percentage of interest in the associated corporation
Ms. Wang Xuemei	Beneficial owner	50,000 shares ⁽¹⁾	100%
Mr. Wang Jindong	Interest of spouse	50,000 shares ⁽²⁾	100%

Notes:

- (1) The disclosed interest represents the interests in the associated corporation, Sky Prosper Global Limited, which is held as to 80% by Ms. Wang Xuemei and 20% by Fu Hong Global Limited (富鴻環球有限公司) (which in turn is held as to 100% by Ms. Wang Xuemei).
- (2) Mr. Wang Jindong is the spouse of Ms. Wang Xuemei. By virtue of the SFO, Mr. Wang Jindong is deemed to be interested in the Shares held by Ms. Wang Xuemei.

Apart from the foregoing, as at 30 September 2018, none of the Directors nor the chief executives of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations that was 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 Required Standard of Dealings.

Substantial Shareholders' and Other Persons' Interests and Short Positions in the Shares and Underlying Shares

As at 30 September 2018, the following persons (other than Directors or chief executives of the Company) were interested in 5% or more of the issued voting Shares of the Company which were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules on the Stock Exchange, or otherwise notified to the Company and the Stock Exchange:

Long positions in the Shares

Name	Nature of interest	The Total number of Shares held	Percentage of shareholding
Sky Prosper Global Limited	Beneficial owner	450,000,000	55.56%
Ms. Wang Xuemei	Interest in controlled corporation (Note 1)	450,000,000	55.56%
Mr. Wang Jindong	Interest of spouse (Note 2)	450,000,000	55.56%
China Construction Bank Corporation	Person having a security interest in Shares (Note 3)	207,000,000	25.56%
Central Huijin Investment Ltd.	Person having a security interest in Shares (Note 4)	207,000,000	25.56%
Pacific Sun Advisors Limited	Investment Manager	65,000,000	8.02%

Notes:

1. These shares are held by Sky Prosper Global Limited, a company incorporated in the British Virgin Islands with limited liability, which is held as to 80% by Ms. Wang Xuemei and 20% by Fu Hong Global Limited (which is held as to 100% by Ms. Wang Xuemei).
2. Mr. Wang Jindong is the spouse of Ms. Wang Xuemei. Under the SFO, Mr. Wang Jindong is deemed to be interested in all the shares in which Ms. Wang Xuemei is interested in.
3. 207,000,000 shares held by Sky Prosper Global Limited were pledged to Chance Talent Management Limited, which is indirectly owned as to 100% by China Construction Bank Corporation. Therefore, China Construction Bank Corporation is deemed to be interested in Chance Talent Management Limited's interest in the Company by virtue of the SFO.
4. China Construction Bank Corporation is indirectly owned as to 57.31% by Central Huijin Investment Ltd. Therefore, Central Huijin Investment Ltd. is deemed to be interested in China Construction Bank Corporation's interest in the Company by virtue of the SFO.

Save as disclosed above, as at 30 September 2018, the Directors were not aware of any other persons who had any interests or short positions in the Shares or underlying Shares and debentures which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or required to be notified to the Company and the Stock Exchange.

Share Option Scheme

A share option scheme was conditionally adopted by the written resolutions of the Shareholders passed on 15 December 2015 (the "Share Option Scheme"). The terms of the Share Option Scheme are in compliance with the provisions of Chapter 23 of the GEM Listing Rules.

As at 30 September 2018, no options had been granted or agreed to be granted under the Share Option Scheme.

Directors' Interest in Competing Business

Save as disclosed in the prospectus of the Company dated 21 December 2015, as at 30 September 2018, the Directors are not aware of any business or interest of the Directors nor our controlling Shareholders nor any of their respective close associates that competes or may compete, directly or indirectly, with the Group's business and any other conflicts of interest which any such person has or may have with the Group during the Period.

Directors' Interests in Transactions, Arrangements or Contracts of Significance

No transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director had a material interest, subsisted at the end of the Period or at any time during the Period.

Directors' Securities Transactions

The Company has adopted a code of conduct for securities transactions by Directors on terms no less exacting than the Required Standard of Dealings. The Company had made specific enquiries with written guidelines in relation to the Required Standard of Dealings to all Directors, and all Directors have confirmed that they complied with the required standards set out in the Required Standard of Dealings since the Listing Date and up to 30 September 2018.

Compliance with the 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 Group's assets.

The Board has reviewed the Group's corporate governance practices and is satisfied that the Company had complied with all the code provisions set out in the Appendix 15 Corporate Governance Code and Corporate Governance Report (the "CG Code") of the GEM Listing Rules. While the Board strives to maintain a high level of corporate governance, it also works hard to create values and achieve maximum return for the Shareholders. The Board will continue to conduct review and improve the quality of corporate governance practices with reference to local and international standards.

Throughout the Period and up to the date of this report, the Company has complied with the code provisions, other than code provision A.2.1 of the CG Code.

Code provision A.2.1 of the CG Code provides that the roles of chairman (chairlady) and chief executive should be separate and should not be performed by the same individual.

Ms. Wang Xuemei is the chairlady of the Board and Mr. Wang Jindong is the chief executive officer of the Company. As disclosed, Mr. Wang Jindong is the spouse of Ms. Wang Xuemei. Despite their relationship, the divisions of responsibilities between the chairman of the Board and the chief executive officer are clearly divided to ensure a balance of power and authority and to reinforce their independence and accountability.

Ms. Wang Xuemei, being the chairlady, is responsible for providing leadership to the Board and ensuring that the Board functions effectively; that Directors receive in timely manner adequate information which is complete and reliable and that all directors are properly briefed on issues arising at board meetings. The chairlady also encourages directors to participate actively in and to make a full contribution to the Board so that the Board acts in the best interest of the Company.

Mr. Wang Jindong, being the chief executive officer, is responsible for the daily operations of the Company, execution of business policies, strategies, objectives and plans as formulated and adopted by the Board and leading the management of Company.

As at 30 September 2018, save as disclosed above, none of the Board members have any financial, business, family or other material/relevant relationships with each other.

Audit Committee

The Audit Committee (“AC”) was set up on 15 December 2015 with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The written terms of reference of the AC was adopted in compliance with paragraphs C.3.3 and C.3.7 of the CG Code. The primary duties of the AC are, among other things, to make recommendations to our Board on the appointment, reappointment and removal of external auditor, review the financial information, oversee our financial reporting process, internal control, risk management systems and audit process and perform other duties and responsibilities assigned by our Board. The AC comprises all independent non-executive Directors and chaired by an independent non-executive Director.

The condensed unaudited consolidated results of the Group for the nine months ended 30 September 2018 have been reviewed by the AC. The AC is of the opinion that the condensed unaudited consolidated results of the Group for nine months ended 30 September 2018 comply with applicable accounting standards, the GEM Listing Rules and that adequate disclosures have been made.

Purchase, Sale or Redemption of the 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 nine months ended 30 September 2018.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed public float required by the GEM Listing Rules for the nine months ended 30 September 2018 and up to the date of this report.

By order of the Board

Wang Jindong

Chief Executive Officer and Executive Director

Hong Kong, 13 November 2018