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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 2021**

#### **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 of Directors of the Company (the “Board”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2021 (the “Period”).

## FINANCIAL HIGHLIGHTS

	For the six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Revenue	52,172	45,295
Gross profit	10,470	11,701
Profit before tax	1,263	2,514
Profit for the period	1,097	2,411
Gross profit margin	20.1%	25.8%
Net profit margin	2.1%	5.3%
Earnings per share		
– Basic and diluted	<b>RMB0.001</b>	<b>RMB0.005</b>

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 30 June 2021 – unaudited*

		<b>For the six months ended 30 June</b>	
	<i>Notes</i>	<b>2021</b>	2020
		<b>RMB'000</b>	<b>RMB'000</b>
<b>Revenue</b>	4	<b>52,172</b>	45,295
Cost of sales		<u>(41,702)</u>	<u>(33,594)</u>
<b>Gross profit</b>		<b>10,470</b>	11,701
Other income and gains		<b>9,884</b>	3,004
Selling and distribution expenses		<b>(4,780)</b>	(3,980)
Administrative expenses		<b>(10,314)</b>	(12,249)
Other expenses		<b>(864)</b>	(1,351)
(Impairment loss)/reversal of impairment loss on financial assets		<b>(2,823)</b>	5,605
Interest on lease liabilities		<u>(310)</u>	<u>(216)</u>
<b>Profit before tax</b>	5	<b>1,263</b>	2,514
Income tax	6	<u>(166)</u>	<u>(103)</u>
<b>Profit for the period</b>		<u><b>1,097</b></u>	<u>2,411</u>
Other comprehensive income for the period:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements		<u>(638)</u>	<u>1,306</u>
<b>Total comprehensive income for the period</b>		<u><b>459</b></u>	<u><b>3,717</b></u>

		<b>For the six months ended 30 June</b>	
		<b>2021</b>	<b>2020</b>
<i>Notes</i>		<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Profit attributable to:			
	Equity shareholders of the Company	<b>422</b>	2,497
	Non-controlling interests	<b>675</b>	(86)
		<u><b>1,097</b></u>	<u>2,411</u>
Total comprehensive income attributable to:			
	Equity shareholders of the Company	<b>(216)</b>	3,803
	Non-controlling interests	<b>675</b>	(86)
		<u><b>459</b></u>	<u>3,717</u>
Earnings per share			
	Basic and diluted	<b>8</b>	<b>RMB0.001</b>
		<u><b>RMB0.001</b></u>	<u>RMB0.005</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021 – unaudited

		<b>30 June</b>	31 December
		<b>2021</b>	2020
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>74,416</b>	73,074
Right-of-use assets		<b>12,967</b>	6,319
Equity investments designated at fair value through other comprehensive income		<b>5,000</b>	5,000
Prepayments in advance		–	1,754
Deferred tax assets		<b>3,887</b>	3,762
Goodwill		<b>7,165</b>	6,448
		<b>103,435</b>	96,357
<b>Current assets</b>			
Inventories		<b>23,875</b>	26,479
Trade and bills receivables	9	<b>149,214</b>	145,146
Prepayments, deposits and other receivables	10	<b>26,179</b>	29,728
Pledged bank balances		<b>10,020</b>	10,054
Cash and cash equivalents		<b>7,191</b>	8,293
		<b>216,479</b>	219,700
<b>Current liabilities</b>			
Trade payables	11	<b>28,938</b>	22,909
Other payables and accruals	12	<b>29,798</b>	37,086
Lease liabilities		<b>2,285</b>	2,803
Tax payable		<b>2,024</b>	1,913
Provision for product warranties		<b>737</b>	737
		<b>63,782</b>	65,448
<b>Net current assets</b>		<b>152,697</b>	154,252
<b>Total assets less current liabilities</b>		<b>256,132</b>	250,609

		<b>30 June</b>	31 December
		<b>2021</b>	2020
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Non-current liabilities</b>			
Lease liabilities		<b>10,600</b>	4,922
Deferred income		<b>4,047</b>	4,235
		<u>14,647</u>	<u>9,157</u>
<b>NET ASSETS</b>		<b>241,485</b>	241,452
<b>Capital and reserves</b>			
Issued capital	13	<b>35,415</b>	35,415
Reserves		<b>201,087</b>	201,093
<b>Total equity attributable to equity shareholders of the Company</b>		<b>236,502</b>	236,508
Non-controlling interests		<b>4,983</b>	4,944
<b>TOTAL EQUITY</b>		<b>241,485</b>	241,452

## **NOTES TO UNAUDITED INTERIM CONDENSED FINANCIAL INFORMATION**

*30 June 2021*

### **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 2021, 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, LED Glass, Subway Media Display and Smart Light-adjusting Projection System in 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 Shuifa Singyes Energy Holdings Limited (“Shuifa Singyes”) and Shuifa Group Co., Ltd. (“Shuifa Group”), respectively. Top Access was incorporated in the British Virgin Islands. Shuifa Singyes was incorporated in Bermuda. The shares of Shuifa Singyes are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Shuifa Group was incorporated in the PRC.

### **2. BASIS OF PREPARATION**

This interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited. It was authorised for issue on 9 August 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The financial information relating to the financial year ended 31 December 2020 that is included in this announcement of the interim results as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

### **3. CHANGES IN ACCOUNTING POLICIES**

The International Accounting Standards Board has issued several amendments to International Financial Reporting Standards that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group’s result and financial position for the current or prior periods have prepared or presented in this interim financial information.

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

#### 4. REVENUE AND OPERATING SEGMENT INFORMATION

An analysis of revenue is as follows:

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from contracts with customers	<u>52,172</u>	<u>45,295</u>

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

##### Type of goods or services

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
ITO film	25,079	21,538
Smart Light-adjusting Film	13,018	14,228
LED Glass	6,683	–
Smart Light-adjusting Glass	4,283	4,977
Subway Media Display	2,900	3,131
Smart Light-adjusting Projection System	–	41
Others	209	1,380
Total revenue from contracts with customers	<u>52,172</u>	<u>45,295</u>

##### Geographical markets

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Domestic – Mainland China*	47,397	42,787
Others	4,775	2,508
	<u>52,172</u>	<u>45,295</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

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Services transferred over time	13,584	–
Goods transferred at a point in time	38,588	45,295
	<u>52,172</u>	<u>45,295</u>



## 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, Subway Media Display and LED Glass, which are 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 2021		31 December 2020	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Domestic – Mainland China*	92,485	97.8	85,161	97.2
Hong Kong	2,063	2.2	2,434	2.8
	<u>94,548</u>	<u>100.0</u>	<u>87,595</u>	<u>100.0</u>

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

## Information about major customers

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

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Customer A	5,752	–
Customer B	–	4,624
	<u>5,752</u>	<u>4,624</u>

## 5. PROFIT BEFORE TAX

The Group's profit before tax was arrived at after charging/(crediting):

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Cost of inventories sold	<u>41,702</u>	<u>33,594</u>
Employee benefit expense: (including directors' and chief executive's remuneration):		
Wages and salaries	7,415	9,026
Pension scheme contributions	198	121
Equity-settled share option expense	<u>54</u>	<u>(470)</u>
	<u>7,667</u>	<u>8,677</u>
Depreciation of items of property, plant and equipment	6,777	6,688
Depreciation of right-of-use assets	1,104	1,073
Research costs	4,339	4,735
Interest expense	310	216
Auditor's remuneration	400	400
Impairment loss/(reversal of impairment loss) on trade receivables ( <i>note 9</i> )	2,823	(5,605)
Equity-settled share option expenses	–	(223)
Foreign exchange losses, net	<u>–</u>	<u>1,146</u>

## 6. INCOME TAX

The major components of income tax expense were as follows:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Current tax – Mainland China	292	–
Deferred taxation	<u>(126)</u>	<u>103</u>
	<u>166</u>	<u>103</u>

*Notes:*

- (a) Pursuant to the rules and regulations of Bermuda, the Group is not subject to any income tax in Bermuda.
- (b) No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits derived from or earned in Hong Kong for the six months ended 30 June 2021 and 2020.
- (c) During the six months ended 30 June 2021 and 2020, 2 subsidiaries in Mainland China, were entitled to a preferential PRC corporate income tax rate of 15% as they are accredited as “High and New Technology Enterprise” (“HNTE”) from 28 November 2018 to 28 November 2021 and 9 December 2019 to 9 December 2022 respectively. Another subsidiary in the PRC was entitled to a preferential PRC CIT rate of 10% as it was accredited as small and micro business.

## 7. DIVIDENDS

No interim dividend was proposed by the Directors for the six months ended 30 June 2021 and 2020.

No final dividend is declared for the year ended 31 December 2020.

## 8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB422,000 (six months ended 30 June 2020: RMB2,497,000), and the weighted average of 520,000,000 (For the six months ended 30 June 2020: 520,000,000 shares) in issue during the six months ended 30 June 2021.

No adjustment has been to the basic earnings per share amount for the six months ended 30 June 2021 and 2020 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 six months ended 30 June 2021 and 2020.

## 9. TRADE AND BILLS RECEIVABLES

	<b>30 June 2021 RMB'000</b>	31 December 2020 RMB'000
Trade receivables	<b>151,757</b>	147,878
Impairment	<b>(13,778)</b>	(10,955)
	<hr/>	<hr/>
	<b>137,979</b>	136,923
Bills receivables	<b>11,235</b>	8,223
	<hr/>	<hr/>
	<b>149,214</b>	145,146
	<hr/> <hr/>	<hr/> <hr/>

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:

	<b>30 June 2021 RMB'000</b>	31 December 2020 RMB'000
Within 3 months	<b>7,272</b>	32,057
3 to 6 months	<b>8,283</b>	15,947
6 to 12 months	<b>56,301</b>	22,537
1 to 2 years	<b>45,879</b>	41,134
2 to 3 years	<b>8,490</b>	29,048
Over 3 years	<b>22,989</b>	4,423
	<hr/>	<hr/>
	<b>149,214</b>	145,146
	<hr/> <hr/>	<hr/> <hr/>

At 30 June 2021, retentions held by customers for contract works included in trade receivables amounted to approximately RMB2,682,000 (31 December 2020: RMB1,628,000). Retention money receivables are normally collected within two to three years after the completion of the relevant construction work.

The movement in provision for impairment of trade receivables during the six months ended 30 June 2021 and 2020 is as follows:

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
At beginning of period	<b>10,955</b>	13,936
Impairment loss/(reversal of impairment loss), net ( <i>note 5</i> )	<b>2,823</b>	(5,605)
At end of period	<b>13,778</b>	8,331

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and profile). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

**As at 30 June 2021**

	Ageing based on the billing date				Total
	Within 1 year	1–2 years	2–3 years	Over 3 years	
Expected credit loss rate	<b>2.64%</b>	<b>3.29%</b>	<b>9.90%</b>	<b>29.92%</b>	<b>9.08%</b>
Gross carrying amount ( <i>RMB'000</i> )	<b>62,160</b>	<b>47,773</b>	<b>9,740</b>	<b>32,084</b>	<b>151,757</b>
Expected credit losses ( <i>RMB'000</i> )	<b>1,639</b>	<b>1,574</b>	<b>964</b>	<b>9,601</b>	<b>13,778</b>

**As at 31 December 2020**

	Ageing based on the billing date				Total
	Within 1 year	1–2 years	2–3 years	Over 3 years	
Expected credit loss rate	2.53%	4.18%	10.80%	47.65%	7.41%
Gross carrying amount ( <i>RMB'000</i> )	63,936	42,929	32,564	8,449	147,878
Expected credit losses ( <i>RMB'000</i> )	1,618	1,795	3,516	4,026	10,955

## 10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2021 <i>RMB'000</i>	31 December 2020 <i>RMB'000</i>
<b>Current portion:</b>		
Prepayments to suppliers	15,099	20,448
Deposits	493	1,862
Due from related parties	9,425	7,038
Other receivables	1,162	380
	<u>26,179</u>	<u>29,728</u>
<b>Non-current portion:</b>		
Prepayments for equipment*	–	1,754
	<u>–</u>	<u>1,754</u>
Total	<u><u>26,179</u></u>	<u><u>31,482</u></u>

\* Included in the prepayments for equipment is mainly prepayment paid to an independent supplier to expand productivity of ITO film.

## 11. TRADE PAYABLES

An ageing analysis of the trade payables as at 30 June 2021 and 31 December 2020, based on the purchase recognition date, is as follows:

	30 June 2021 <i>RMB'000</i>	31 December 2020 <i>RMB'000</i>
Within 6 months	13,168	14,632
6 to 12 months	12,126	1,031
1 to 2 years	3,598	3,703
2 to 3 years	46	2,180
Over 3 years	–	1,363
	<u>28,938</u>	<u>22,909</u>

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

## 12. OTHER PAYABLES AND ACCRUALS

	30 June 2021 <i>RMB'000</i>	31 December 2020 <i>RMB'000</i>
Contract liabilities	1,538	1,756
Accrued expenses	400	1,534
Payroll and welfare payable	933	2,163
Tax and surcharge payables	12,098	22,431
Payables related to property, plant and equipment	2,730	715
Due to related parties	6,761	6,925
Other payables	5,338	1,562
	<u>29,798</u>	<u>37,086</u>

### 13. SHARE CAPITAL

#### Shares

	<b>30 June 2021 US\$'000</b>	31 December 2020 US\$'000
Authorised: 10,000,000,000 ordinary shares of US\$0.01 each	<b>100,000</b>	100,000
Issued and fully paid: 520,000,000 ordinary shares of US\$0.01 each	<b>5,200</b>	5,200
	<b>30 June 2021 RMB'000</b>	31 December 2020 RMB'000
Equivalent to approximately	<b>35,415</b>	35,415

### 14. 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 2020 for details.

The following share options were outstanding under the Scheme during the six months ended 30 June 2021 and 2020:

	<b>For the six months ended 30 June</b>			
	<b>2021</b>		<b>2020</b>	
	<b>Exercise price per share HK\$</b>	<b>Number of options '000</b>	<b>Exercise price per share HK\$</b>	<b>Number of options '000</b>
At 1 January	<b>1.16</b>	<b>8,590</b>	1.16	15,700
Forfeited during the period	<b>1.16</b>	<b>(800)</b>	1.16	(5,560)
Surrendered during the period	<b>1.16</b>	–	1.16	(700)
At 30 June	<b>1.16</b>	<b>7,790</b>	1.16	9,440

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

<b>For the six months ended 30 June</b>		<b>2020</b>	<b>Exercise price</b>	<b>Exercise period</b>
<b>Number of options</b>	<b>2021</b>			
<b>'000</b>	<b>'000</b>	<b>'000</b>	<b>HK\$ per share</b>	
<b>2,597</b>	3,146	3,146	1.16	31 January 2021 to 30 January 2028
<b>2,596</b>	3,146	3,146	1.16	31 January 2022 to 30 January 2028
<b>2,597</b>	3,148	3,148	1.16	31 January 2023 to 30 January 2028
<b>7,790</b>	<b>9,440</b>	<b>9,440</b>		

During the six months ended 30 June 2021, a total of 800,000 options (six months ended 30 June 2020: 5,560,000) were forfeited due to the resignation of grantees and no option (six months ended 30 June 2020: 700,000) was cancelled due to the voluntary surrender.

During the six months ended 30 June 2021, the Group recognised net share option expenses of RMB54,000 (six months ended 30 June 2020: net reversal of share option expenses of RMB693,000 due to the forfeiture of share options).

At the end of the reporting period, the Company had 7,790,000 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 7,790,000 additional ordinary shares of the Company and additional share capital of US\$77,900 (equivalent to approximately RMB503,000 before issue expenses).

As at the date of approval of the interim condensed financial information, the Company had 7,790,000 share options outstanding under the Scheme, which represented approximately 1.498% of the Company's shares in issue as at that date.

## 15. ACQUISITION OF A SUBSIDIARY

On 8 February 2021, the Group acquired 60% equity interests of Sishui Yixin Renewal Resource Company Limited ("Sishui Yixin") which primarily engages in the provision of solid waste treatment and utilisation of renewable resources in Mainland China. Nil consideration is made for the acquisition. Sishui Yixin had net liabilities of approximately RMB1.2 million at the date of acquisition. Accordingly, the Group recorded a goodwill of approximately RMB0.7 million.

## 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, LED Glass, Subway Media Display 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.

In the first half of 2021, we faced keen competition in the saturated domestic market. Although we recorded growth in sales in the first half of 2021 as compared to the same period of 2020, our gross profit dropped because of the price competition.

*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 RMB25.1 million for the six months ended 30 June 2021, which represented an increase of RMB3.6 million or 16.4%, from RMB21.5 million for the same period in 2020.

*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 RMB13.0 million for the six months ended 30 June 2021, which represented a decrease of RMB1.2 million or 8.5%, from RMB14.2 million for the same period in 2020.

*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 RMB4.3 million for the six months ended 30 June 2021, which represented a decrease of RMB0.7 million or 13.9%, from RMB5.0 million for the same period in 2020.



**LED Glass** is a glass that embeds LED light source into the glass to form various styles and patterns. It has excellent brightness and energy-saving characteristics. LED Glass can be widely used in various design and application areas, for example interior and exterior decoration, lighting design, outdoor curtain wall glass, and other fields. Our LED Glass customers are primarily commercial users. Revenue from sales of LED Glass was RMB6.7 million for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

**Subway Media Display** makes use of project technology to project visual images onto subway screen doors, turning the screen doors into a giant display. The screen doors are manufactured using Smart Light-adjusting products which can change from opaque for projection to transparent when the train enters the station and vice versa. Our Subway Media Display customers are primarily media companies and transportation equipment companies. Revenue from sales of Subway Media Display was RMB2.9 million for the six months ended 30 June 2021, which represented a decrease of RMB0.2 million or 7.4%, from RMB3.1 million for the same period in 2020.

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 a leading manufacturer of Smart Light-adjusting products in the PRC in terms of market share by revenue. During the six months ended 30 June 2021, our revenue has recorded growth of 15.2% as compared to the same period in 2020. However, the profit attributable to owners of the Company decreased by RMB2.1 million or 83.1%, to RMB0.4 million for the six months ended 30 June 2021, from RMB2.5 million for the same period in 2020. This is mainly because impairment loss on financial assets of RMB2.8 million was recorded for the six months ended 30 June 2021, while reversal of impairment loss on financial assets of RMB5.6 million was recorded for the same period in 2020.

## **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 ITO film and Smart Light-adjusting products is testimonial of sufficient market demand for its products. In response to the rapidly changing market conditions of the Smart Light-adjusting products, our Group has been diversifying our product range.

Looking into the second half of 2021, we believe that the competition remains keen in the domestic market. While we are diversifying our business in response to the challenges, our Group will remain cautious in expanding our production lines and carrying out research and development projects to cater the expected demand in the future. In the meantime, our Directors will closely monitor the economic change, maintain a prudent and stable strategy and react proactively to the challenges and opportunities ahead.

## **FINANCIAL REVIEW**

### **Revenue**

Our revenue was RMB52.2 million for the six months ended 30 June 2021, which represented an increase of RMB6.9 million, or 15.2% from RMB45.3 million for the same period in 2020. The increase was mainly attributable to the increase of sales volume of ITO film and the sales of our new product LED Glass.

### **Cost of sales and Gross Profit**

Our cost of sales was RMB41.7 million for the six months ended 30 June 2021, which represented an increase of RMB8.1 million, or 24.1%, from RMB33.6 million for the same period in 2020. The increase in cost of sales mainly reflected the increase in sales volume.

Our gross profit decreased by RMB1.2 million or 10.5%, from RMB11.7 million for the six months ended 30 June 2020 to RMB10.5 million for the six months ended 30 June 2021. Our gross profit margin decreased from 25.8% for the six months ended 30 June 2020 to 20.1% for the six months ended 30 June 2021. The decrease was mainly because the gross profit margins of Smart Light-adjusting Glass and Subway Media Display have dropped as a result of the decrease in selling price in response to the keen competition.

### **Selling and distribution expenses**

Our selling and distribution expenses were RMB4.8 million for the six months ended 30 June 2021, which represented an increase of RMB0.8 million, or 20.1%, from RMB4.0 million for the same period in 2020. The expenses mainly included remuneration for sales and marketing employees based on sales performances and expenses relating to our marketing efforts in business promotion and participation in exhibitions. The selling and distribution expenses remained relatively stable at 9.1% of the revenue for the six months ended 30 June 2021, as compared to 8.8% for same period in 2020.

### **Administrative expenses**

Our administration expenses were RMB10.3 million for the six months ended 30 June 2021, which represented a decrease of approximately RMB1.9 million, or 15.8%, from RMB12.2 million for the same period in 2020. The decrease was mainly attributable to the decrease in depreciation and the decrease in remuneration of administrative employees and Directors. The administrative expenses was 19.8% of the revenue for the six months ended 30 June 2021, as compared to 27.0% for the same period in 2020.

### **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 2021, 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 2021, our capital expenditure amounted to RMB3,497,000 (six months ended 30 June 2020: RMB17,828,000) which was mainly for improvement of production plant and purchase of machinery and equipment from a number of independent suppliers.

### **Gearing Ratio**

Gearing ratio is calculated by dividing the total liabilities by total equity at the end of the reporting period. At 30 June 2021, our gearing ratio remained stable at 32.5% (31 December 2020: 30.9%).

### **Capital Commitments**

At 30 June 2021, the Group had capital commitments amounting to RMB4,500,000 (31 December 2020: 4,500,000) of capital contribution for equity investment.

### **Contingent Liabilities**

During 2019, a customer initiated a proceeding against a subsidiary of the Company to claim a compensation relating to a product quality dispute. The court judgement was issued in June 2021. Both the Group and the customer filed appeals against the court judgement in July 2021. As a result of this lawsuit, cash at bank of the Group amounted to RMB10,000,000 (31 December 2020: RMB10,000,000) has been set aside and sealed by a court in the PRC. The Directors, based on the advice from the Group's legal counsel, believe that the Group has a valid defence against the lawsuit and, accordingly, have not provided for any loss arising from the litigation, other than the related legal costs.

### **Pledge of assets**

At 30 June 2021, the Group had pledged deposits amounting to RMB10,020,000 (31 December 2020: RMB10,054,000) which was mainly the sealed cash at bank as a result of the proceeding as disclosed under the section "Contingent Liabilities" above.

### **Significant Investments, Acquisitions and Disposals**

Save as disclosed in note 15 to the unaudited interim condensed financial information headed "Acquisition of a subsidiary" of this announcement, the Group did not make any material acquisition or disposal of subsidiaries and associated companies and significant investments during the six months ended 30 June 2021.

## Foreign Currency Exposure

The Group's principal businesses are located in Mainland China 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\$. Foreign currency exposure mainly arises from intra-company balance denominated in HK\$ as recorded by Zhuhai New Materials.

## 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 2021 is set out below:

<b>Business Strategy</b>	<b>Planned use of net proceeds as stated in the Prospectus up to 30 June 2021 <i>HK\$ million</i></b>	<b>Actual use of net proceeds up to 30 June 2021 <i>HK\$ million</i></b>	<b>Actual balances of proceeds up to 30 June 2021 <i>HK\$ million</i></b>
Overseas business expansion	9.8	9.8	–
Research and development of new materials and products	21.1	21.1	–
Purchase of machinery and equipment for production of anti-ambient screen	6.8	6.8	–
Enhancement to wide ITO film	4.3	4.3	–
Sales and marketing effects in the PRC	8.7	8.7	–
Project for full automation of production line for Smart Light-adjusting Products	12.0	12.0	–
Establishment and mass production of domestic laser none cinema systems	3.0	3.0	–
Installation of extra-wide production line for smart Light-adjusting Products	11.5	–	11.5
Installation of fully automated production line for pressing of glass	9.0	4.1	4.9
Working capital	7.3	7.3	–

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 2021, approximately HK\$77.1 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. In response to the rapidly changing business environment, it has taken more time than expected to look for suitable machinery and equipment producers which could meet our production requirements. Also, our plan of installing new production line in the year 2020 has been shelved due to the COVID-19 pandemic. 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.

### **Dividends**

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2021 (2020: Nil).

### **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2021, we had a total headcount of 105 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.

## OTHER INFORMATION

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

As at 30 June 2021, 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 ( <i>Note 4</i> )
Top Access Management Limited (“Top Access”)	Beneficial owner	324,324,325	62.37%
China Shuifa Singyes Energy Holdings Limited (“Shuifa Singyes”)	Interest in a controlled corporation ( <i>Note 1</i> )	324,324,325	62.37%
Water Development (HK) Holdings Co., Limited (“Water Development (HK)”)	Interest in a controlled corporation ( <i>Note 2</i> )	324,324,325	62.37%
Shuifa Energy Group Co., Ltd. (“Shuifa Energy”)	Interest in a controlled corporation ( <i>Note 2</i> )	324,324,325	62.37%
Shuifa Group Co., Ltd. (“Shuifa Group”)	Interest in a controlled corporation ( <i>Note 2</i> )	324,324,325	62.37%
AMATA Limited	Beneficial owner	40,000,000	7.69%
Mr. Luo Jingxi	Interest in a controlled corporation ( <i>Note 3</i> )	40,000,000	7.69%
Kunlun Holdings Group Limited	Beneficial owner	26,021,206	5.00%

*Notes:*

1. The entire issued share capital of Top Access is legally and beneficially owned by Shuifa Singyes, which is deemed to be interested in the Shares held by Top Access under Part XV of the SFO.
2. Water Development (HK) is the legal and beneficial owner of 1,687,008,585 shares of Shuifa Singyes and have a security interest in 180,755,472 shares of Shuifa Singyes, representing approximately 66.92% and 7.17% of the issued share capital of Shuifa Singyes respectively. Water Development (HK) is beneficially and wholly-owned by Shuifu Energy, which is in turn beneficially and wholly- owned by Shuifu Group. As such, each of Water Development (HK), Shuifu Energy and Shuifu Group is deemed to be interested in the Shares to which Shuifa Singyes is interested in (through its shareholding in Top Access) under Part XV of the SFO.
3. 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.
4. The percentage is calculated on the basis of 520,000,000 Shares in issue as at 30 June 2021.

Save as disclosed above, as at 30 June 2021, 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 2021, 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 of Shuifa Singyes (Note 1)

Name of Director(s)	Capacity/Nature of Interests	Number of Shares held	Approximate percentage of total registered share capital (Note 4)
Mr. Liu Hongwei	Interest of a controlled corporation (Note 2)	202,038,750	8.01%
	Beneficial interest (Note 3)	<u>1,500,000</u>	<u>0.06%</u>
	Total	<u><u>203,538,750</u></u>	<u><u>8.07%</u></u>

#### Notes:

- Shuifa Singyes is listed in the Main Board of the Stock Exchange with stock code: 750. Shuifa Singyes is a holding company of the Company pursuant to the SFO.
- 202,038,750 shares of Shuifa Singyes are held by Strong Eagle Holdings Ltd., 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.
- Such interest represents the shares awards of Shuifa Singyes granted to Mr. Liu Hongwei under a share award plan as announced by Shuifa Singyes on 29 December 2020. As at 30 June 2021, no share of Shuifa Singyes under the share award plan has neither been purchased by Shuifa Singyes nor allocated to Mr. Liu Hongwei.
- The percentage is calculated on the basis of 2,521,081,780 shares in issue of Shuifa Singyes as at 30 June 2021.



Save as disclosed above, as at 30 June 2021, 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**

Shuifa Singyes, 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, Shuifa Singyes 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).

Shuifa Singyes has confirmed to the Company that during the six months ended 30 June 2021 and up to the date of this announcement, Shuifa Singyes and its respective close associates (as defined under the GEM Listing Rules) have complied with the undertakings contained in the Deed of Non-competition.

During the six months ended 30 June 2021 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.

## **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 (the “Code”) during the six months ended 30 June 2021 and up to the date of this announcement (the “Relevant Period”) except for the deviation from paragraph A.2.1 of the Code as described below.

During the period from 1 January 2021 to 25 January 2021, the positions of Chairman and Chief Executive Officer were held by Mr. Liu Hongwei and Mr. Sun Jinli respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company’s business development and daily management and operations generally. Their respective responsibilities are clearly defined and set out in writing.

With effect from 25 January 2021, Mr. Sun Jinli resigned as an executive Director and Chief Executive Officer, Mr. Liu Hongwei ceased to be the Chairman, and Mr. Zhang Chao has been appointed as the Chairman and Chief Executive Officer. The Company is aware of the requirement under paragraph A.2.1 of the Code that the roles of chairman and Chief Executive Officer should be separated and should not be performed by the same individual. Nevertheless, the Board considers that the combination of the roles of Chairman and Chief Executive Officer will not impair the balance of power and authority between the Board and the management of the Company as the Company has built up a structure of the Board and has developed a set of procedural rules for the meeting of the Board to consider major matters affecting the operations of the Group. The Board is of the view that this structure provides the Group with strong and consistent leadership, which can facilitate the formulation and implementation of its strategies and decisions and enable it to grasp business opportunities and react to changes efficiently. Moreover, the Board considers that the sufficient measures have been taken and it will not impair the balance of power and authority between the Board and the management. As such, it is beneficial to the business prospects of the Group. Therefore, Mr. Zhang Chao is performing the roles of both Chairman and Chief Executive Officer.

## **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 Ms. Pan Jianli, Mr. Pan Jianguo and Dr. Li Ling. Ms. Pan Jianli is the chairperson 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 2021. 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**  
**Zhang Chao**  
*Chairman*

Hong Kong, 9 August 2021

*As at the date of this announcement, the executive Directors of the Company are Mr. Zhang Chao (Chairman), Mr. Du Peng and Mr. Nie Yuanzhou; the non-executive Director of the Company is Mr. Liu Hongwei; and the independent non-executive Directors of the Company are Ms. Pan Jianli, Mr. Pan Jianguo and Dr. Li Ling.*

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