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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)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 (the “Board”) of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries for the nine months ended 30 September 2021.

FINANCIAL HIGHLIGHTS

	For the three months ended		For the nine months ended	
	30 September		30 September	
	2021	2020	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	29,304	27,658	81,476	72,953
Gross profit	7,325	6,966	17,795	18,667
Profit before tax	938	3,041	2,200	5,555
Profit for the period	1,070	2,885	2,167	5,296
Gross profit margin	25.0%	25.2%	21.8%	25.6%
Net profit margin	3.7%	10.4%	2.7%	7.3%
Earnings per share attributable to ordinary equity holders				
– Basic and diluted	RMB0.001	RMB0.006	RMB0.001	RMB0.010

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 30 September 2021

		Three months ended 30 September		Nine months ended 30 September	
	<i>Notes</i>	2021	2020	2021	2020
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
REVENUE	4	29,304	27,658	81,476	72,953
Cost of sales		<u>(21,979)</u>	<u>(20,692)</u>	<u>(63,681)</u>	<u>(54,286)</u>
Gross profit		7,325	6,966	17,795	18,667
Other income and gains		2,835	3,884	12,719	5,742
Selling and distribution expenses		(847)	(2,920)	(5,627)	(6,900)
Administrative expenses		(7,480)	(5,353)	(17,794)	(17,602)
Other expenses		(739)	(266)	(1,603)	(471)
(Impairment loss)/reversal of impairment loss on financial assets		(2)	771	(2,825)	6,376
Interest on lease liabilities		<u>(155)</u>	<u>(41)</u>	<u>(465)</u>	<u>(257)</u>
PROFIT BEFORE TAX	5	937	3,041	2,200	5,555
Income tax	6	<u>133</u>	<u>(156)</u>	<u>(33)</u>	<u>(259)</u>
PROFIT FOR THE PERIOD		<u>1,070</u>	<u>2,885</u>	<u>2,167</u>	<u>5,296</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>106</u>	<u>(2,572)</u>	<u>(532)</u>	<u>(1,266)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>1,176</u>	<u>313</u>	<u>1,635</u>	<u>4,030</u>

	Three months ended		Nine months ended	
	30 September		30 September	
	2021	2020	2021	2020
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit attributable to:				
Equity shareholders of the Company	852	2,959	1,274	5,456
Non-controlling interests	218	(74)	893	(160)
	<u>1,070</u>	<u>2,885</u>	<u>2,167</u>	<u>5,296</u>
Total comprehensive income attributable to:				
Equity shareholders of the Company	958	387	742	4,190
Non-controlling interests	218	(74)	893	(160)
	<u>1,176</u>	<u>313</u>	<u>1,635</u>	<u>4,030</u>
Earnings per share				
Basic and diluted	<u>RMB0.001</u>	<u>RMB0.006</u>	<u>RMB0.001</u>	<u>RMB0.010</u>

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

30 September 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 is located at Unit 3108, 31st Floor, China Merchants Tower, Shun Tak Center, 168–200 Connaught Road Central, Hong Kong.

During the nine months ended 30 September 2021 (the “Period”), the Company and its subsidiaries (collectively referred to as the “Group”) were principally engaged in 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. Shuifa Group was incorporated in the PRC.

2. BASIS OF PREPARATION

The unaudited 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.

The unaudited interim financial information 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 unaudited condensed financial information have been reviewed by the audit committee of the Company.

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:

	Three months ended		Nine months ended	
	30 September		30 September	
	2021	2020	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from contracts with customers	29,304	27,658	81,476	72,953

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

Type of goods or services

	Three months ended		Nine months ended	
	30 September		30 September	
	2021	2020	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
ITO film	12,118	8,994	37,197	30,532
Smart Light-adjusting Film	7,604	10,917	20,622	25,145
Smart Light-adjusting Glass	6,062	1,533	10,345	6,510
LED Glass	1,692	573	8,375	573
Subway Media Display	282	87	3,182	3,172
Smart Light-adjusting Projection System	–	88	–	129
Others	1,546	5,466	1,755	6,892
Total revenue from contracts with customers	29,304	27,658	81,476	72,953

Geographical markets

	Three months ended		Nine months ended	
	30 September		30 September	
	2021	2020	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Domestic – Mainland China*	27,980	27,658	75,377	70,445
Others	1,324	–	6,099	2,508
	29,304	27,658	81,476	72,953

* 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

	Three months ended		Nine months ended	
	30 September		30 September	
	2021	2020	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Goods transferred at a point in time	29,304	27,658	67,892	72,953
Services transferred over time	—	—	13,584	—
	29,304	27,658	81,476	72,953

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, LED Glass and Subway Media Display, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for the purpose of resource allocation and performance assessment. In addition, the principal assets employed by the Group are located in Mainland China. Accordingly, no segment analysis is presented other than entity-wide disclosures.

Entity-wide disclosures

Information about a major customer

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2021	2020	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Customer A	4,418	—	*	—
Customer B	—	3,385	—	*

* Less than 10%

5. PROFIT BEFORE TAX

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2021	2020	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cost of inventories sold	<u>21,979</u>	<u>20,692</u>	<u>63,681</u>	<u>54,286</u>
Employee benefit expense: (including directors' and chief executive's remuneration):				
Wages and salaries	4,541	4,028	11,956	13,054
Pension scheme contributions	168	119	366	240
Equity-settled share option expenses	<u>18</u>	<u>142</u>	<u>72</u>	<u>(328)</u>
	<u>4,727</u>	<u>4,289</u>	<u>12,394</u>	<u>12,966</u>
Depreciation of items of property, plant and equipment	1,984	3,006	8,761	9,694
Depreciation of right-of-use assets	552	244	1,656	1,317
Research costs	2,537	2,117	6,876	6,852
Interest expense	155	41	465	257
Equity-settled share option expenses	–	73	–	(150)
Auditor's remuneration	–	–	400	400
Impairment loss/(reversal of impairment loss) on trade receivables	<u>2</u>	<u>(771)</u>	<u>2,825</u>	<u>(6,376)</u>

6. INCOME TAX

The major components of income tax expense were as follows:

	Three months ended		Nine months ended	
	30 September		30 September	
	2021	2020	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax – Mainland China	96	–	388	–
Deferred	<u>(229)</u>	<u>156</u>	<u>(355)</u>	<u>259</u>
	<u>(133)</u>	<u>156</u>	<u>33</u>	<u>259</u>

Notes:

- (a) Pursuant to the rules and regulations of Bermuda, the Group is not subject to any income tax in the 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 nine months ended 30 September 2021 and 2020.
- (c) During the nine months ended 30 September 2021 and 2020, two 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. 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 RMB1,274,000 (nine months ended 30 September 2020: RMB5,456,000), and the weighted average of 520,000,000 shares (for the nine months ended 30 September 2020: 520,000,000 shares) in issue during nine months ended 30 September 2021.

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

8. EVENTS AFTER THE REPORTING PERIOD

The Group had no significant events after the end of the reporting period of this announcement.

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 nine months ended 30 September 2021, we faced keen competition in the saturated domestic market. Although we recorded growth in sales 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 RMB37.2 million for the nine months ended 30 September 2021, which represented an increase of RMB6.7 million or 21.8%, from RMB30.5 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 RMB20.6 million for the nine months ended 30 September 2021, which represented a decrease of RMB4.5 million or 18.0%, from RMB25.1 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 RMB10.3 million for the nine months ended 30 September 2021, which represented an increase of RMB3.8 million or 58.9%, from RMB6.5 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 RMB8.4 million for the nine months ended 30 September 2021 (nine months ended 30 September 2020: RMB0.6 million).

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 RMB3.2 million for the nine months ended 30 September 2021, which remained stable as compared to 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 the leading manufacturer of Smart Light-adjusting Products in the PRC in terms of market share by revenue. During the nine months ended 30 September 2021, our revenue has recorded growth of 11.7% as compared to the same period in 2020. However, the profit attributable to equity shareholders of the Company decreased by RMB4.2 million or 76.6%, to RMB1.3 million for the nine months ended 30 September 2021, from RMB5.5 million for the same period in 2020. This was mainly because impairment loss on financial assets of RMB2.8 million was recorded for the nine months ended 30 September 2021, while reversal of impairment loss on financial assets of RMB6.4 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 future, 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 RMB81.5 million for the nine months ended 30 September 2021, which represented an increase of RMB8.5 million or 11.7% from RMB73.0 million for the same period in 2020. The increase was mainly attributable to the increase of sales volume of ITO film and Smart Light-adjusting Glass as well as the sales of our new product LED Glass.

Cost of Sales and Gross Profit

Our cost of sales was RMB63.7 million for the nine months ended 30 September 2021, which represented an increase of RMB9.4 million or 17.3%, from RMB54.3 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 RMB0.9 million or 4.7%, from RMB18.7 million for the nine months ended 30 September 2020 to RMB17.8 million for the nine months ended 30 September 2021. Our gross profit margin decreased from 25.6% for the nine months ended 30 September 2020 to 21.8% for the nine months ended 30 September 2021. The decrease was mainly because the gross profit margin of Smart Light-adjusting Glass 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 RMB5.6 million for the nine months ended 30 September 2021, which represented a decrease of RMB1.3 million or 18.4%, from RMB6.9 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 the marketing efforts in business promotion and participation in exhibitions. The selling and distribution expenses was 6.9% of the revenue for the nine months ended 30 September 2021, as compared to 9.5% for the same period in 2020.

Administrative Expenses

Our administration expenses were RMB17.8 million for the nine months ended 30 September 2021, which remained relatively stable as compared to RMB17.6 million for the same period in 2020. These mainly represented depreciation and research costs. The administrative expenses was 21.8% of the revenue for the nine months ended 30 September 2021, as compared to 24.1% 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 September 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.

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 September 2021 is set out below:

Business Strategy	Planned use of net proceeds as stated in the Prospectus up to 30 September 2021 <i>HK\$ million</i>	Actual use of net proceeds up to 30 September 2021 <i>HK\$ million</i>	Actual balances of proceeds up to 30 September 2021 <i>HK\$ million</i>
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 September 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 a dividend for the nine months ended 30 September 2021 (2020: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2021, we had a total headcount of 150 full-time employees. The remuneration package of our employees includes a basic salary, allowances and bonuses. The various allowances cover holidays, social security and housing contributions. We make contributions to all mandatory social security and housing provident funds for our employees.

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

As at 30 September 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 (Note 4)
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 (Note 1)	324,324,325	62.37%
Water Development (HK) Holdings Co., Limited (“Water Development (HK)”)	Interest in a controlled corporation (Note 2)	324,324,325	62.37%
Shuifa Energy Group Co., Ltd. (“Shuifa Energy”)	Interest in a controlled corporation (Note 2)	324,324,325	62.37%
Shuifa Group Co., Ltd. (“Shuifa Group”)	Interest in a controlled corporation (Note 2)	324,324,325	62.37%
AMATA Limited	Beneficial owner	40,000,000	7.69%
Mr. Luo Jingxi	Interest in a controlled corporation (Note 3)	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 September 2021.

Save as disclosed above, as at 30 September 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 of Part XV of the SFO.

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

As at 30 September 2021, so far as the Directors are aware, the interests and short positions of the Directors and chief executives 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 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 September 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 September 2021.

Save as disclosed above, as at 30 September 2021, none of the Directors or chief executives 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 Executives’ 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 nine months ended 30 September 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 nine months ended 30 September 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 during the nine months ended 30 September 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 and the auditors of the Company relating to the preparation of the unaudited condensed consolidated financial statements of the Group for the nine months ended 30 September 2021. The 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
China Singyes New Materials Holdings Limited
Zhang Chao
Chairman

Hong Kong, 8 November 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 Company Announcements” page of the GEM website (www.hkgem.com) for at least 7 days from the date of its publication and on the website of the Company (www.syeamt.com).