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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 2023

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 2023.

FINANCIAL HIGHLIGHTS

	For the three months ended		For the nine months ended	
	30 September		30 September	
	2023	2022	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	24,967	11,551	58,540	56,333
Gross profit	8,201	1,537	16,076	8,302
Profit/(Loss) before tax	4,371	(2,874)	253	(5,772)
Profit/(Loss) for the period	4,337	(2,874)	1,379	(4,549)
Gross profit margin	32.9%	13.3%	27.5%	14.7%
Net profit margin	17.4%	N/A	2.4%	N/A
Earnings/(Loss) per share attributable to ordinary equity holders				
– Basic and diluted	RMB0.008	RMB(0.004)	RMB0.002	RMB(0.009)

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 30 September 2023

	<i>Notes</i>	Three months ended 30 September		Nine months ended 30 September	
		2023 <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (Unaudited)
REVENUE	4	24,967	11,551	58,540	56,333
Cost of sales		<u>(16,780)</u>	<u>(10,013)</u>	<u>(42,478)</u>	<u>(48,031)</u>
Gross profit		8,187	1,537	16,062	8,302
Other income and gains		1,835	2,033	3,194	6,966
Selling and distribution expenses		(1,333)	(1,367)	(3,704)	(3,615)
Administrative expenses		(2,915)	(4,385)	(12,177)	(13,133)
Other expenses		(1,283)	(577)	(2,759)	(2,033)
Impairment loss on financial assets		–	–	–	(1,914)
Interest on lease liabilities		<u>(122)</u>	<u>(115)</u>	<u>(365)</u>	<u>(345)</u>
PROFIT/(LOSS) BEFORE TAX	5	4,371	(2,874)	253	(5,772)
Income tax credit/(expense)	6	<u>(34)</u>	<u>–</u>	<u>1,126</u>	<u>1,223</u>
PROFIT/(LOSS) FOR THE PERIOD		<u>4,337</u>	<u>(2,874)</u>	<u>1,379</u>	<u>(4,549)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD:					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of financial statements		<u>12</u>	<u>138</u>	<u>1,043</u>	<u>1,546</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		<u>4,349</u>	<u>(2,736)</u>	<u>2,422</u>	<u>(3,003)</u>

	Three months ended		Nine months ended	
	30 September		30 September	
	2023	2022	2023	2022
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit/(Loss) attributable to:				
Equity shareholders of the				
Company	3,935	(2,306)	914	(4,858)
Non-controlling interests	402	(568)	465	309
	<u>4,337</u>	<u>(2,874)</u>	<u>1,379</u>	<u>(4,549)</u>
Total comprehensive income/(loss)				
attributable to:				
Equity shareholders of the				
Company	3,947	(2,168)	1,957	(3,312)
Non-controlling interests	402	(568)	465	309
	<u>4,349</u>	<u>(2,736)</u>	<u>2,422</u>	<u>(3,003)</u>
Earnings/(Loss) per share				
Basic and diluted	7 <u>RMB0.008</u>	<u>RMB(0.004)</u>	<u>RMB0.002</u>	<u>RMB(0.009)</u>

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2023

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 2023 (the “Period”), the Company’s subsidiaries (collectively referred to as the “Group”) were principally engaged in the sale and installation of Indium Tin Oxide (“ITO”) film, and the research and development, production, sale and installation of Smart Polymer-Dispersed Liquid Crystals (“Smart PDLC”) products, Light Emitting Diode (“LED”) Display and 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, the parent company and the ultimate holding company are China Shuifa Singyes Energy Holdings Limited (“Shuifa Singyes”) and Shuifa Group Co., Ltd. (“Shuifa Group”), respectively. Shuifa Singyes was incorporated in Bermuda and its shares are listed on the Main Board of the Stock Exchange. Shuifa Group was incorporated in the PRC.

2. BASIS OF PREPARATION

This third quarter 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 7 November 2023.

The third quarter financial information has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 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 2022 that is included in this announcement of the third quarter 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

Operating Segment information

The Group's revenue and contribution to consolidated results are mainly derived from its sale of ITO Film, Smart PDLC products, and LED Display and Projection System, 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

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	
	2023	2022	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Customer A	*	*	*	*
Customer B	*	*	*	*

* Less than 10%

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	
	2023	2022	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Sales of ITO film	4,839	4,596	18,356	23,483
Smart PDLC products	15,898	6,720	31,760	23,370
LED Display and Projection System	—	—	—	26
Sales of other products	4,230	235	8,424	9,454
Total revenue from contracts with customers	24,967	11,551	58,540	56,333

Geographical markets

	Three months ended		Nine months ended	
	30 September		30 September	
	2023	2022	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Domestic – Mainland China*	10,911	5,796	36,860	43,361
Others	14,056	5,755	21,680	12,972
	24,967	11,551	58,540	56,333

* 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	
	2023	2022	2023	2022
	<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	24,967	9,592	58,540	50,819
Services transferred over time	–	1,959	–	5,514
	24,967	11,551	58,540	56,333

5. PROFIT/(LOSS) BEFORE TAX

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

	Three months ended 30 September		Nine months ended 30 September	
	2023 <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (Unaudited)
Cost of inventories sold	<u>16,780</u>	<u>10,013</u>	<u>42,478</u>	<u>48,031</u>
Employee benefit expense: (including directors' and chief executive's remuneration):				
Wages and salaries	2,774	4,994	11,063	14,010
Pension scheme contributions	132	149	344	446
Equity-settled share option (reversal)/expenses	<u>—</u>	<u>(106)</u>	<u>(180)</u>	<u>(708)</u>
	<u>2,906</u>	<u>5,037</u>	<u>11,227</u>	<u>13,748</u>
Depreciation of items of property, plant and equipment	1,654	2,078	2,414	5,560
Depreciation of right-of-use assets	567	653	1,701	1,960
Research costs	3,557	1,034	4,059	3,490
Interest expense	122	260	365	490
Auditor's remuneration	—	—	—	200
Impairment loss on trade receivables	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,914</u>

6. INCOME TAX (CREDIT)/EXPENSE

The major components of income tax expense were as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2023 <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (Unaudited)
Current tax – Mainland China	34	—	36	318
Deferred	<u>—</u>	<u>—</u>	<u>(1,162)</u>	<u>(1,541)</u>
	<u>34</u>	<u>—</u>	<u>(1,126)</u>	<u>(1,223)</u>

Notes:

- (a) Pursuant to the rules and regulations of Bermuda, the Group is not subject to any income tax in Bermuda. Expenses incurred by the Company during the Period mainly consist of remuneration of directors and research cost. These expenses are not expected to be tax deductible.
- (b) During the Period, Zhuhai Singyes New Materials Company Limited (“Zhuhai New Materials”) was entitled to a preferential PRC corporate income tax (“CIT”) rate of 15% as it was accredited as “High and New Technology Enterprise” (“HNTE”) from 28 November 2018 to 28 November 2021 and renewed on 20 December 2021 for a period of three years until 2024. Shenzhen Kangsheng Photoelectric Technology Company Limited (“Shenzhen Kangsheng”) was entitled to a preferential PRC CIT rate of 15% as it was accredited as HNTE from 9 December 2022 to 9 December 2025.
- (c) The applicable CIT rate for the other PRC incorporated subsidiaries was 25% during the Period.
- (d) The applicable CIT rate for Hong Kong incorporated subsidiaries was 16.5% during the Period. No provision for Hong Kong profits tax has been made as these Hong Kong incorporated subsidiaries had tax losses during the Period.

7. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings per share amount is based on the earnings attributable to equity shareholders of the Company for the Period of RMB1,379,000 (for the nine months ended 30 September 2022: loss of RMB4,549,000), and the number of ordinary shares of 520,000,000 (for the nine months ended 30 September 2023: 520,000,000) in issue during the Period.

No adjustment has been made to the basic earnings per share amount 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 for the nine months ended 30 September 2023 and 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group carries out research and development on, and manufactures and sells ITO film, Smart Polymer-Dispersed Liquid Crystals (“PDLC”) products, LED Display and 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); (iii) Smart Light-adjusting Projection System; and (iv) others. 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 2023, we recorded an increase in sales and gross profit as compared to the same period of 2022.

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 RMB18.3 million for the nine months ended 30 September 2023, which represented a decrease of RMB5.2 million or 21.8%, from RMB23.5 million for the same period in 2022.

Smart PDLC products include Smart Light-adjusting Film and Smart Light adjusting Glass. 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. 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 PDLC products customers are primarily construction companies and contractors of developers. Revenue from sales of Smart PDLC product was RMB31.8 million for the nine months ended 30 September 2023, which represented an increase of RMB8.4 million or 35.9%, from RMB23.4 million for the same period in 2022.

LED Display and Projection System has excellent brightness and energy saving characteristic. Such display and projection screens are manufactured using Smart PDLC Products which can change from opaque for projection to transparent when switching the power source applied to it. Our LED Display and Projection System customers are commercial users, primarily media companies and transportation equipment companies. No revenue from sales of LED Display and Projection System was recorded for the nine months ended 30 September 2023 (nine months ended 30 September 2022: RMB26,000).

Others include sale of other materials and products. The revenue from other products was RMB8.4 million for the nine months ended 30 September 2023, which represented a decrease of RMB1.0 million or 10.9%, from RMB9.4 million for the same period in 2022.

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.

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 prudent 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 RMB58.5 million for the nine months ended 30 September 2023, which represented an increase of RMB2.2 million or 3.9% from RMB56.3 million for the same period in 2022. The increase was mainly attributable to the increase of sales volume of ITO film and Smart PDLC products.

Cost of Sales and Gross Profit

Our cost of sales was RMB42.5 million for the nine months ended 30 September 2023, which represented a decrease of RMB5.5 million or 11.6%, from RMB48.0 million for the same period in 2022. The decrease in cost of sales mainly reflected the effective production cost control of the Group.

Our gross profit increased by RMB7.8 million or 93.5%, from RMB8.3 million for the nine months ended 30 September 2022 to RMB16.1 million for the nine months ended 30 September 2023. Our gross profit margin increased from 14.7% for the nine months ended 30 September 2022 to 27.4% for the nine months ended 30 September 2023. The increase was mainly attributable to the improvement in the gross profit margin of Smart PDLC products.

Selling and Distribution Expenses

Our selling and distribution expenses were RMB3.7 million for the nine months ended 30 September 2023, which represented an increase of RMB0.1 million or 2.5%, from RMB3.6 million for the same period in 2022. 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 6.3% of the revenue for the nine months ended 30 September 2023, as compared to 6.4% for the same period in 2022.

Administrative Expenses

Our administration expenses were RMB12.2 million for the nine months ended 30 September 2023, which represented a decrease of approximately 7.3%, from RMB13.1 million for the same period in 2022. These mainly represented reduce on wages and salaries. The administrative expenses was 20.8% of the revenue for the nine months ended 30 September 2023, as compared to 23.3% for the same period in 2022.

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 2023, our Group had outstanding bank loans of approximately RMB33.8 million. 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 2023 is set out below:

Business Strategy	Planned use of net proceeds as stated in the Prospectus up to 30 September 2023 <i>HK\$ million</i>	Actual balances of proceeds up to 1 January 2023 <i>HK\$ million</i>	Proceeds used during the nine months ended 30 September 2023 <i>HK\$ million</i>	Actual use of net proceeds up to 30 September 2023 <i>HK\$ million</i>	Actual balances of proceeds up to 30 September 2023 <i>HK\$ million</i>	Expected timeline for unutilized net proceeds
Overseas business expansion	9.8	–	–	9.8	–	N/A
Research and development of new materials and products	21.2	–	–	21.2	–	N/A
Purchase of machinery and equipment for production of anti-ambient screen	6.8	–	–	6.8	–	N/A
Enhancement to wide ITO film	4.3	–	–	4.3	–	N/A
Sales and marketing effects in the PRC	8.7	–	–	8.7	–	N/A
Project for full automation of production line for Smart Light-adjusting Products	12.0	–	–	12.0	–	N/A
Establishment and mass production of domestic laser home cinema systems	3.0	–	–	3.0	–	N/A
Installation of extra-wide Production line for Smart Light-adjusting Products	11.5	10.9	–	0.6	10.9	by the end of 2024
Installation of fully automated production line for pressing of glass	9.0	4.9	–	4.1	4.9	by the end of 2024
Working capital	7.3	–	–	7.3	–	N/A

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 2023, approximately HK\$77.7 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 has been shelved due to the poor economy conditions. 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 2023 (2022: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2023, we had a total headcount of 106 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.

CREDIT RISK MANAGEMENT

We implement proactive credit control procedures to effectively manage credit risk. While we strive to maintain strong relationships with our customers, there is a possibility of occasional delays in payment. By actively managing credit risk and employing robust credit control measures, we are confident in our ability to minimize any adverse impact on our financial performance.

Delays in settlement from customers were primarily due to challenging economic conditions in certain markets and the financial difficulties faced by some of our customers. We have been actively engaging with these customers to negotiate favorable settlement terms and recover the outstanding amounts. As a result of these efforts, we have successfully reached agreements with customers for partial or full settlements.

The provision matrix used to estimate allowances for credit losses on trade receivables is primarily based on the past due date of the receivables. We apply different provision rates based on the length of time the receivables have been outstanding. The provision matrix is periodically reviewed and updated to reflect changes in economic conditions, customer creditworthiness, and historical collection patterns. We believe that the basis of provision matrix accurately reflects the credit risk associated with our trade receivables.

We maintain a provision for credit losses on trade receivables. The provision is determined through a comprehensive assessment of credit risk factors, including historical collection experience, economic conditions, customer creditworthiness, and industry-specific risks. We regularly evaluate the adequacy of provision and make adjustments as necessary. Our assessment indicates that the provision are currently adequate to cover potential credit losses.

We have implemented proactive measures to recover long-aged receivables. This includes intensifying collection efforts, engaging with customers to understand the reasons for delay in payment, and exploring potential legal remedies if necessary. We have also strengthened our credit control procedures to mitigate the risk of similar situations arising in the future. We remain committed to recovering the long-aged receivables and will continue to take appropriate actions to minimize credit risk.

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

As at 30 September 2023, 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 3)
China Shuifa Singyes Energy Holdings Limited ("Shuifa Singyes")	Beneficial owner	324,324,325	62.37%
Water Development (HK) Holdings Co., Limited ("Water Development (HK)")	Interest in a controlled corporation (Note 1)	324,324,325	62.37%
Shuifa Group Co., Ltd. ("Shuifa Group")	Interest in a controlled corporation (Note 1)	324,324,325	62.37%
AMATA Limited	Beneficial owner	40,000,000	7.69%
Mr. Luo Jingxi	Interest in a controlled corporation (Note 2)	40,000,000	7.69%
Kunlun Holdings Group Limited	Beneficial owner	26,021,206	5.00%

Notes:

- 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 Group. As such, each of Water Development (HK) and Shuifu Group is deemed to be interested in the Shares in which Shuifa Singyes is interested under Part XV of the SFO.
- 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.
- The percentage is calculated on the basis of 520,000,000 Shares in issue as at 30 September 2023.

Save as disclosed above, as at 30 September 2023, 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 EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURE OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 September 2023, 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 the Company

Name of Director	Capacity/ Nature of Interests	Number of share held	Approximate percentage of total issued share capital (Note 3)
Mr. Zhou Qing	Beneficial Interest	<u>556,000</u>	<u>0.1%</u>

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 issued share capital (Note 2)
Mr. Zhou Qing	Beneficial Interest	<u>229,000</u>	<u>0.009%</u>

Notes:

1. 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.
2. The percentage is calculated on the basis of 2,521,081,780 shares in issue of Shuifa Singyes as at 30 September 2023.
3. The percentage is calculated on the basis of 520,000,000 shares in issue of the Company as at 30 September 2023.

Save as disclosed above, as at 30 September 2023, 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 2023 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 2023 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 to the GEM Listing Rules (the “Code”) during the nine months ended 30 September 2023 and up to the date of this announcement (the “Relevant Period”) except for the deviation from Code Provision C.2.1 of the Code as described below.

With effect from 25 January 2021, Mr. Zhang Chao has been appointed as the Chairman and Chief Executive Officer. The Company is aware of the requirement under Code Provision 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 was performing the roles of both Chairman and Chief Executive Officer. With effect from 13 July 2023, Mr. Zhang Chao resigned as Chairman and Mr. Du Peng has been appointed as Chairman. The Company is in compliance with Code Provision C.2.1 of the Code as the roles of Chairman and Chief Executive Officer are separated and not performed by the same individual.

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 nine months ended 30 September 2023. 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
Du Peng
Chairman

Hong Kong, 7 November 2023

As at the date of this announcement, the executive Directors of the Company are Mr. Du Peng (Chairman), Mr. Zhang Chao and Mr. Zhu Xuping; the non-executive Director of the Company is Mr. Zhou Qing; 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 Stock Exchange website (www.hkexnews.hk) for at least 7 days from the date of its publication and on the website of the Company (www.syeamt.com).