



China Yu Tian Holdings Limited

中國宇天控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8230

Third Quarterly Report 2016

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This report, for which the directors of China Yu Tian Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors of the Company (the “Directors” and each, a “Director”), having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this report misleading.

Corporate Information

Board

Executive Directors

Ms. Wang Xuemei (王雪梅) (*Chairlady*)

Mr. Wang Jindong (王進東)

(*Chief Executive Officer*)

Mr. Tang Xiguang (唐夕廣)

Mr. Zhao Haibo (趙海波)

Independent Non-Executive Directors

Mr. Cheng Bo (程波)

Mr. Huang Zhiwei (黃志偉)

Mr. Wang Zhonghua (王中華)

Board Committees

Audit Committee

Mr. Cheng Bo (程波) (*Chairman*)

Mr. Wang Zhonghua (王中華)

Mr. Huang Zhiwei (黃志偉)

Remuneration Committee

Mr. Huang Zhiwei (黃志偉) (*Chairman*)

Mr. Wang Zhonghua (王中華)

Mr. Cheng Bo (程波)

Nomination Committee

Mr. Wang Zhonghua (王中華) (*Chairman*)

Mr. Cheng Bo (程波)

Mr. Huang Zhiwei (黃志偉)

Compliance Officer

Ms. Wang Xuemei (王雪梅)

Joint Company Secretaries

Mr. Tso Ping Cheong, Brian (曹炳昌)

FCCA, FCCA, FCIS, FCS

Mr. Xu Yibin (許倚濱)

Principal Place of Business in Hong Kong

9/F, Wah Yuen Building

149 Queen's Road Central

Hong Kong

Head Office, Headquarters and Principal Place of Business in PRC

East side of Provincial Highway 328

North side of Yejin Avenue

Hongze County, Huai'an City

Jiangsu Province, PRC

Registered Office

Floor 4, Willow House, Cricket Square

PO Box 2804, Grand Cayman KY1-1112

Cayman Islands

Cayman Islands Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Bankers

Jiangsu Hongze Rural
Commercial Bank Development
Zone Sub-Branch* (江蘇洪澤農村
商業銀行開發區支行)

Shanghai Pudong Development Bank
Co., Ltd. Huai'an Branch* (上海浦東
發展銀行股份有限公司淮安分行)

Postal Savings Bank of China Co., Ltd.
Huai'an Branch* (中國郵政儲蓄銀行
股份有限公司淮安分行)

Auditor

KPMG

Company Website

www.hkggg.hk

Stock Code

8230

Compliance Advisor

Guotai Junan Capital Limited

Authorised Representative

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

* For identification purpose only

Third Quarterly Unaudited Results

The board of Directors of the Company (the “Board”) hereby presents the condensed unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the nine months ended 30 September 2016, together with the unaudited comparative figures for the corresponding period in 2015 as follows:

Condensed Consolidated Statement of Profit or Loss

For the three and nine months ended 30 September 2016

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
REVENUE	2	39,460	47,842	130,716	127,517
Cost of sales		(29,976)	(37,157)	(97,933)	(94,313)
Gross profit		9,484	10,685	32,783	33,204
Other income	3	5,574	531	6,968	1,105
Distribution costs		(477)	(343)	(1,150)	(1,073)
Administrative expenses		(6,102)	(4,476)	(15,315)	(17,643)
Profit from operations		8,479	6,397	23,286	15,503
Finance costs	4(a)	(1,902)	(1,541)	(5,378)	(5,023)
Profit before taxation	4	6,577	4,856	17,908	10,480
Income tax charge	5	(1,460)	(682)	(4,774)	(2,020)
Profit for the period		5,117	4,174	13,134	8,460
Earnings per share	6				
Basic and diluted (RMB)		RMB0.01	RMB0.01	RMB0.02	RMB0.01

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the three and nine months ended 30 September 2016

	For the three months ended 30 September		For the nine months ended 30 September	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Profit for the period	5,117	4,174	13,134	8,460
Other comprehensive income for the period				
Item that may be reclassified subsequently to profit and loss:				
Exchange differences on translation of financial statements of overseas companies	(32)	(129)	277	(129)
Total comprehensive income for the period	5,085	4,045	13,411	8,331

Condensed Consolidated Statement of Changes in Equity

For the nine months ended 30 September 2016

	Share capital RMB'000	Share premium RMB'000	PRC		Retained earnings RMB'000	Total equity RMB'000
			statutory reserves RMB'000	Exchange reserves RMB'000		
Balance at 1 January 2016 (Audited)	6,779	189,199	10,588	661	81,598	288,825
Total comprehensive income for the period	-	-	-	277	13,134	13,411
Balance at 30 September 2016 (Unaudited)	6,779	189,199	10,588	938	94,732	302,236
Balance at 1 January 2015 (Audited)	8	108,407	7,253	(24)	61,968	177,612
Total comprehensive income for the period	-	-	-	(129)	8,460	8,331
Balance at 30 September 2015 (Unaudited)	8	108,407	7,253	(153)	70,428	185,943

Notes to the Unaudited Consolidated Results

For the nine months ended 30 September 2016

1 Significant accounting policies

(a) General information

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

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

The details of the Reorganisation are set out below.

Prior to January 2014, the Group's businesses were conducted through Jiangsu Yutian Gangbo New Materials Co., Ltd. ("Jiangsu Yutian"). Jiangsu Yutian was incorporated on 23 March 2011 and was beneficially owned and controlled by Ms. Wang Xuemei before the Reorganisation. Upon completion of the Reorganisation on 27 January 2014, the Company became the Group's holding company. The companies that took part in the Reorganisation were controlled by Ms. Wang Xuemei before and after the Reorganisation and there was no change in the business and operation of Jiangsu Yutian.

As the Company and other intermediate holding companies of the Group had no substantive operations prior to the Reorganisation and were formed for the sole purpose of effecting the Group's restructuring and the listing of the Company's shares, no business combination had occurred and the Reorganisation has been accounted for using a principle similar to that for a reverse acquisition as set out in Hong Kong Financial Reporting Standard ("HKFRS") 3, business combinations with Jiangsu Yutian being treated as the acquirer for accounting purpose. The financial information has been prepared and presented as a continuation of the financial statements of Jiangsu Yutian with the assets and liabilities of Jiangsu Yutian recognized and measured at their historical carrying amounts prior to the Reorganisation.

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

(b) Statement of compliance

The condensed unaudited consolidated results for the nine months ended 30 September 2016 have been prepared in accordance the applicable disclosure provision of the GEM Listings Rules including compliance with Hong Kong Accounting Standard (“HKAS”) 34, interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The condensed unaudited consolidated results for the nine months ended 30 September 2016 have been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements except for the accounting policy changes that are expected to be effected in the 2016 annual financial statements. Details of any changes in accounting policies are set out in note 1(d).

(c) Basis of preparation of the unaudited consolidated results

The condensed unaudited consolidated results for the nine months ended 30 September 2016 comprise the Group.

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

The preparation of condensed unaudited consolidated results in conformity with HKAS 34 requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

(d) Changes in accounting policies

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 January 2016. The application of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years. The Group has not early applied the new and revised HKFRSs that have been issued but are not yet effective. The Directors anticipates that the application of these new standard(s), amendments and interpretation(s) will have no material impact on the condensed unaudited consolidated financial statements.

2 Revenue

The principal activities of the Group are the manufacture and sale of coated architectural glass products, coated glass production equipment and CTP module components.

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Sales of coated architectural glass products	16,764	26,480	73,249	74,228
Sales of coated glass production equipment	2,513	-	5,749	-
Sales of capacitive touch panel ("CTP") module components	20,183	21,362	51,718	53,289
	39,460	47,842	130,716	127,517

3 Other income

	For the three months ended 30 September		For the nine months ended 30 September	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Government grants	5,425	470	6,000	728
Interest income	31	61	91	287
Foreign exchange gains	118	-	877	-
	5,574	531	6,968	1,015

4 Profit before taxation

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

(a) Finance costs:

	For the three months ended 30 September		For the nine months ended 30 September	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Interest on loans and borrowings	1,896	1,517	4,827	4,409
Other finance costs	6	24	551	614
	1,902	1,541	5,378	5,023

(b) Staff costs:

	For the three months ended 30 September		For the nine months ended 30 September	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
Salaries, wages and other benefits	2,014	2,266	7,291	7,259
Contributions to defined contribution retirement plan	399	429	1,289	1,268
	2,413	2,695	8,580	8,527

(c) Other items:

	Note	For the three months ended 30 September		For the nine months ended 30 September	
		2016	2015	2016	2015
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		RMB'000	RMB'000	RMB'000	RMB'000
Cost of inventories	(i)	29,976	37,157	97,933	94,313
Depreciation		2,240	2,250	6,675	6,749
Amortisation of lease prepayments		204	204	611	611
Research and development costs		2,538	2,133	6,459	5,820
Impairment losses on trade and other receivables		958	28	2,251	1,625
Operating lease charges		155	78	465	233

- (i) Cost of inventories included staff costs of RMB5,724,000 (2015: RMB5,596,000) and depreciation of RMB6,331,000 (2015: RMB6,279,000) for the nine months ended 30 September 2016, which are also included in the respective total amounts disclosed separately above or in Note 4(b).

5 Income tax charge

	For the three months ended 30 September		For the nine months ended 30 September	
	2016	2015	2016	2015
	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
Current tax:				
Provision for PRC income tax for the period	1,291	999	3,484	2,649
Deferred tax:				
Origination and reversal of temporary differences	169	(317)	1,290	(629)
	1,460	682	4,774	2,020

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.
- (ii) No provision for Hong Kong Profits Tax was made for the subsidiary incorporated in Hong Kong as the subsidiary did not have income subject to Hong Kong Profits Tax.
- (iii) The PRC subsidiary, Jiangsu Yutian Gangbo New Material Co., Ltd. ("Jiangsu Yutian") was subject to the PRC statutory income tax rate of 25%. In August 2013, it was accredited as a "High and New Technology Enterprise" and was entitled to a preferential income tax rate of 15% for a period of three years from 2013 to 2015. The Company and the Group are in the progress of updating the relevant licence for the preferential income tax rate for 2016.

6 Earnings per share

The calculation of basic earnings per share is based on the profit for the three months ended 30 September 2016 of RMB5,117,000 (2015: RMB4,176,000) and the weighted average of 810,000,000 ordinary shares in issue (2015: 600,000,000 shares in issue) during the three months ended 30 September 2016.

The calculation of basic earnings per share is based on the profit for the nine months ended 30 September 2016 of RMB13,134,000 (2015: RMB8,462,000) and the weighted average of 810,000,000 ordinary shares in issue (2015: 600,000,000 shares in issue) during the nine months ended 30 September 2016.

Weighted average number of ordinary shares

	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Issued ordinary shares at 1 January	810,000	600,000
Issued ordinary shares at 30 June	810,000	600,000
Issued ordinary shares at 30 September	810,000	600,000

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

Management Discussion and Analysis

Introduction and Business Review

The Group engaged in the manufacture and sale of industrial coated products as well as design and assembly of coated glass production equipment. According to HCR Co., Ltd. (“HCR”), we were ranked tenth among China’s manufacturers of Low-E glass, which is the primary product category of coated architectural glass, in terms of designed annual production capacity for the year ended 31 December 2014. We were also one of only seven manufacturers in China with the ability to design, assemble, build and sell complete sets of coated glass production lines as of 31 December 2014 based on HCR. Our proprietary coating technologies can be utilized for a wide variety of industrial products, including coated architectural glass and capacitive touch panel (“CTP”) module components. Our business model of offering a wide array of industrial coated products and coated glass production equipment is made possible by our broad range of capabilities. Our extensive industrial coating expertise and understanding of customers’ needs allow us not only to continuously refine our production process and coating techniques to develop high-quality coated glass products, but also enable us to upgrade our coated glass manufacturing equipment.

Leveraging our extensive experience and know-how in industrial coating, we commenced commercial production of CTP module components for use in electronic devices in March 2014 and recorded our first sale of CTP module components in May 2014. Currently, Low-E glass is the primary coated architectural glass product in China due to its energy efficiency.

The Board is pleased to present the third quarterly results of the Group for the nine months ended 30 September 2016 (the “Period”), together with the comparative figures for the corresponding nine months ended 30 September 2015.

Financial Review

Revenue

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

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

	For the nine months ended 30 September	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Sales of coated architectural glass products	73,249	74,228
Sales of coated glass production equipment	5,749	–
Sales of capacitive touch panel (“CTP”) module components	51,718	53,289
	130,716	127,517

For the nine months ended 30 September 2016, revenue from coated architectural glass amounted to RMB73.2 million (30 September 2015: RMB74.2 million), accounting for 56.0% of our total revenue (30 September 2015: 58.2%). It is expected to remain as one of the major source(s) of revenue in the future.

Revenue from sales of coated glass production equipment for the nine months ended 30 September 2016 amounted to RMB5.7 million (30 September 2015: Nil), representing 4.4% of our total revenue (30 September 2015: 0%).

Revenue from CTP module components for the nine months ended 30 September 2016 amounted to RMB51.7 million (30 September 2015: RMB53.3 million), representing 39.6% of our total revenue (30 September 2015: 41.8%).

Total revenue of the Group slightly grew 2.5% from RMB127.5 million for the nine months ended 30 September 2015 to RMB130.7 million for the nine months ended 30 September 2016, which was mainly attributable to the growth of the revenue generated from sales of coated glass production equipment.

Gross profit and gross profit margin

Our gross profit slightly decreased from RMB33.2 million for the nine months ended 30 September 2015 to RMB32.8 million for the nine months ended 30 September 2016. Our gross profit margin decreased from 26.0% for the nine months ended 30 September 2015 to 25.1% for the nine months ended 30 September 2016. The following table sets forth a breakdown of our gross profit and gross profit margin by segment for the periods indicated:

	For the nine months ended 30 September 2016		2015	
	Gross profit (Unaudited) RMB'000	Gross Profit margin %	Gross profit (Unaudited) RMB'000	Gross Profit margin %
Coated architectural glass products	17,267	23.6	17,600	23.7
Coated glass production equipment	741	12.9	–	–
CTP module components	14,775	28.6	15,604	29.3
Total gross profit/gross profit margin	32,783	25.1	33,204	26.0

The gross profit margin of coated architectural glass products and CTP module components remained constant during the Period.

Other income

Other income of the Group increased by 586.5% from RMB1.0 million for the nine months ended 30 September 2015 to RMB7.0 million for the nine months ended 30 September 2016, which was mainly attributable to the increase of government grants during the period.

Administrative expenses

The Group's administrative expenses decreased by 13.2% from RMB17.6 million the nine months ended 30 September 2015 to RMB15.3 million for the nine months ended 30 September 2016. Our administrative expenses mainly include research and development cost, professional services expenses, travel and office expenses, administrative staff cost. The notable decrease in administrative expenses was mainly attributable to the decrease in professional fees used in connection with the Company's listing on GEM of the Stock Exchange which was incurred in the nine months ended 30 September 2015 but not in the same period ended 30 September 2016.

Finance cost

The Group's finance costs increased from RMB5.0 million for the nine months ended 30 September 2015 and RMB5.4 million for the nine months ended 30 September 2016, which was due to the issuance of debentures in 2016.

Income tax expenses

The Group's income tax was a charge of RMB2.0 million for the nine months ended 30 September 2015 and was a charge of RMB4.8 million for the nine months ended 30 September 2016, which was in line with the changes on the profit before taxation during the Period.

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

The profit and total comprehensive income for the nine months ended 30 September 2015 attributable to the owners of the Company was RMB8.5 million and RMB8.3 million respectively and the profit for the Period attributable to the owners of the Company was RMB13.1 million and RMB13.4 million respectively. The increase during the Period was mainly attributable to the increase in other revenue during the Period.

Human resources and remuneration policies

As at 30 September 2016, the Group employed a total of 268 full-time employees. For the nine months ended 30 September 2016, the Group's staff costs, including the Directors' remuneration, amounted to approximately RMB8.6 million. Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employees. In addition to basic salary, the Group also offers bonus to staff with outstanding performance to attract and retain eligible employees to contribute to the Group. Apart from basic remuneration, the Group may also grant share options to eligible employees by reference to their performance and individual contribution.

Liquidity, financial resources and capital structure

The Group's credit risk is primarily attributable to trade receivables and bank balances. In order to minimise the credit risk, the management team of the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors considered that the credit risk on trade debts of the Group is significantly reduced.

As at 30 September 2016, the Group's current ratio was 1.40, compared to 1.71 as at 31 December 2015, which was remained healthy during the period. As at 30 September 2016, the Group's cash and cash equivalent totalled RMB4.8 million (31 December 2015: RMB80.21 million).

As at 30 September 2016, the Group's loans and borrowings amounted to RMB78.0 million (as at 31 December 2015: RMB72.4 million), and debenture payable amounted to RMB13.7 million (31 December 2015: Nil). The Group did not experience any withdrawal of facilities, default in payment of trade and other payables, loans and borrowings or breach of financial covenants. The Group's financial position remained solid and we have sufficient bank balances to meet our liabilities when they become due.

Amounts due from associates/related companies/shareholders ("Shareholders", and each, a "Shareholder") of the Company are continuously monitored by assessing the credit quality of the counterparty, taking into account their financial position, past experience and other factors. When necessary, impairment loss is made for estimated irrecoverable amounts. The credit risk on bank balances is limited as most of the bank balances are at banks with high credit ratings assigned by international credit ratings agencies.

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

Significant investments

The Group did not acquire or hold any significant investments during the nine months ended 30 September 2016 (2015: Nil).

Material acquisition/disposal

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the nine months ended 30 September 2016 (2015: Nil).

Risk of foreign exchange exposure

Most of the Group’s cash balances and transactions are either denominated in Renminbi or Hong Kong Dollars, i.e. functional currencies of relevant group entities. The Group does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. As at 30 September 2016, the Group did not have any outstanding hedge instruments.

Principal risks and uncertainties facing the Company

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

Impact of Local and International Regulations

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

Third-Party Risks

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

Pledge of assets

During the nine months ended 30 September 2016, bank deposits of RMB3.8 million (31 December 2015: RMB3.0 million), property, plant and equipment of RMB18.1 million (31 December 2015: RMB18.6 million), and lease payment of RMB38.3 million (31 December 2015: RMB38.9 million) were pledged as security for bank and other loans and bill payable.

Comparison of Business Objectives with Actual Business Progress

Since the Shares were listed on the GEM of the Stock Exchange on 29 December 2015 and up to the date of this report, the Group and the Directors considered that there has been no modification of the business objectives or the business plans as stated in the prospectus of the Company dated 21 December 2015 (the "Prospectus").

Save as disclosed in this report, there are no significant events subsequent to 30 September 2016 which would materially affect the Group's operating and financial performance as of the date of the financial statements.

Comparison Between Business Plan and Actual Business Progress

The following is a comparison of the Group's business plan as set out in the Prospectus with actual business progress of the nine months ended 30 September 2016.

Business plan as set out in the Prospectus

Progress up to 30 September 2016

Expand our scale of operations and penetrate CTP market

- The Group had spent approximately RMB53 million (recorded as property, plant and equipment or non-current prepayments in the statement of financial position) to commence the construction of a new factory building and complete the assembly of a new production line for on-cell CTP module components, which is approximately 85% completed and is expecting to complete the remaining in 2016.

Enhance our research and development capabilities

- The Group had spent approximately RMB7 million (recorded under administrative expenses in the statement of profit or loss) to employ additional personnel for the research and development and to improve the performance of our existing Low-E glass production line, which is 100% completed during the period.

Expand our sales and marketing coverage

- The Group had spent approximately RMB2 million (recorded under administrative expenses in the statement of profit or loss) to establish a branch in Shenzhen City, Guangdong Province, employ additional personnel for the sales and marketing department and place advertisements on the Internet and participate in various exhibitions, which is 100% completed during the period.

The Use of Proceeds from the Company's initial public offering

Based on the placing price of HK\$0.54 per share, the net proceeds from the listing on 29 December 2015, after deducting related expenses, amounted to approximately HK\$104,597,000 (approximately RMB87,563,000). In accordance with the future development plan of the Group and the use of proceeds as set out in the Prospectus, the Group planned to allocate its net proceeds as follows:

Use	Approximate percentage of total net proceeds
Build a new factory building	46%
Complete a new on-cell CTP production line	23%
Enhance the research and development capability and expand the marketing coverage	17.2%
Working capital and others	13.8%

During the nine months period ended 30 September 2016, the Group has applied the net proceeds as follows:

Use	Actual usage up to 30 September 2016 RMB'000
– Building a new factory building	37,130
– Assembly of new on-cell CTP production line	15,870
– Enhance the research and development capability and expand the marketing coverage	9,000
– Working capital and others	2,000

As at 30 September 2016, the proceeds intended for the building of a new factory building have been fully utilized. It is expected that the Company will utilize its internal resources and/or proceeds from other borrowing or fund raising activities to satisfy any further funding need(s) for the building of the new factory building.

The Directors will constantly evaluate the Group's business objectives and may change or modify plans against the changing market condition to attain sustainable business growth of the Group.

All the unutilised balances have been placed in licensed banks in the PRC and Hong Kong.

Gearing Ratio

As at 30 September 2016, the Group has gearing ratio (total debenture payable, loans and borrowings/total equity) of 30.3% compared to that of 25.1% as at 31 December 2015.

Outlook and Prospectus

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

In light of the softening of policies on the real estate market of Mainland China, it is generally expected that the real estate market will pick up. Moreover, the government set(s) higher requirements for environmental protection in the “Thirteenth Five-Year” plan. We believe these will significantly boost the sales of coated glass products and related production equipment of the Group. With the continuous development of electronic technology, China has become the largest production base and market of electronic products in the world, and we believe this will continue to stimulate the demand for electronic CTP products of the Group in an effective manner.

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

Contingent Liabilities

A subsidiary of the Company was a defendant in a lawsuit filed in April 2015 in relation to a contract dispute. The plaintiff, who supplied equipment for the subsidiary's production of CTP module components, filed a lawsuit to request the subsidiary to make certain payments of RMB1.3 million under a purchase contract entered into between the plaintiff and the subsidiary, and claimed losses with accrued interest of approximately RMB0.2 million. The subsidiary filed a counterclaim against the plaintiff on the ground that the final product delivered by the plaintiff failed to meet the operating standard as agreed in the purchase contract. As at 30 September 2016, the Group has accrued the amount payable in accordance with purchase contract. Up to the date of issue of this report, the case was under first trial. The Directors, based on the advice from its legal counsel, considered that it would be very unlikely that the Group will be fined and accordingly, except for the contract amount payable of RMB1.3 million, no provision has been made in respect of this claim.

Subsequent Events

On 13 October 2016, the Company and Ms. Wang Xuemei entered into a subscription agreement with Chance Talent Management Limited ("Chance Talent"), pursuant to which the Company agreed to issue and Chance Talent agreed to subscribe for HK\$115,000,000, 10% senior guaranteed secured notes due 2018.

Pursuant to the subscription agreement, Ms. Wang Xuemei (Ms. Wang), the Chairlady and Executive Director of the Company shall also provide a personal guarantee in favour of Chance Talent to secure, among others, the due and punctual observance and performance by the Company under the subscription agreement and other documents in connection with the transaction contemplated under the subscription agreement.

Pursuant to the subscription agreement, the following events of default are imposed on Ms. Wang that, during the term of the subscription agreement and the Chance Talent notes:

- (a) Ms. Wang ceases to directly or indirectly hold all the issued shares in Sky Prosper Global Limited (“Sky Prosper”);
- (b) Sky Prosper ceases to be the largest shareholder of the Company or Ms. Wang ceases to be directly or indirectly the largest shareholder of the Company; or
- (c) Ms. Wang ceases to be the chairlady of the Board.

Any breach of the above specific performance obligations may constitute a breach under the subscription agreement and also an event of default under the Chance Talent notes, pursuant to which Chance Talent may require the Chance Talent notes to be repaid immediately pursuant to the terms and conditions of the Chance Talent notes.

Pursuant to the subscription agreement, Sky Prosper charges all its right, title, interest and benefit present and future in, to and under 207,000,000 ordinary shares of the Company, in favour of Chance Talent to Secure, amongst other things, the obligations of Sky Prosper under the subscription agreement and transaction documents.

As at the latest practicable date prior to the printing of this report, the above specific performance obligations continued to subsist.

The net proceeds of the note issue, after deducting fees, commission and expenses, are estimated to be approximately HK\$114,000,000. The Company will use the net proceeds as the general working capital of the Group and to finance any potential investment opportunities of the Group that may arise from time to time.

For more details of the transaction, please refer to our announcement dated 13 October 2016.

Dividend

The Directors did not recommend the payment of any dividend for the nine months ended 30 September 2016 (2015: Nil).

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

As at 30 September 2016, the interests or short positions of the Directors and chief executives in the Shares, underlying Shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO) or which were required to be recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules (the "Required Standard of Dealings"), were as follows:

(i) Long positions in the Shares of the Company

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

Notes:

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

(ii) Associated corporation – Sky Prosper Global Limited

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

Notes:

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

Apart from the foregoing, as at 30 September 2016, none of the Directors nor the chief executives of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations that was required to be recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Required Standard of Dealings.

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

As at 30 September 2016, the following persons (other than Directors or chief executives of the Company) were interested in 5% or more of the issued voting Shares of the Company which were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules on the Stock Exchange, or otherwise notified to the Company and the Stock Exchange:

Long positions in the Shares

Name	Nature of interest	The Total number of Shares held	Percentage of shareholding
Sky Prosper Global Limited	Beneficial owner	450,000,000	55.56%
China Fund Limited	Beneficial owner	74,280,000	9.17%
Luckever Holdings Limited	Interest in controlled corporation (Note 1)	74,280,000	9.17%
Mr. Liu Xuezhong	Interest in controlled corporation (Note 2)	74,280,000	9.17%
Ms. Li Yuelan	Interest in controlled corporation (Note 2)	74,280,000	9.17%

Notes:

1. These Shares are held by China Fund Limited, which is held as to 100% by Luckever Holdings Limited.
2. These Shares are held by China Fund Limited, which is held as to 100% by Luckever Holdings Limited, which is held to 60.87% Mr. Liu Xuezhong and 39.13% by Ms. Li Yuelan (Mr. Liu Xuezhong is the spouse of Ms. Li Yuelan. Under the SFO, Mr. Liu Xuezhong is deemed to be interested in all the Shares in which Ms. Li Yuelan is interested in, and Ms. Li Yuelan is deemed to be interested in all the Shares in which Mr. Liu Xuezhong is interested in.

Save as disclosed above, as at 30 September 2016, the Directors were not aware of any other persons who had any interests or short positions in the Shares or underlying Shares and debentures which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or required to be notified to the Company and the Stock Exchange.

Share Option Scheme

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

As at 30 September 2016, no options had been granted or agreed to be granted under the Share Option Scheme.

Directors’ Interest in Competing Business

The Directors are not aware of any business or interest of the Directors nor our controlling Shareholders nor any of their respective close associates that competes or may compete, directly or indirectly, with the Group’s business and any other conflicts of interest which any such person has or may have with the Group during the period.

Deed of Non-Competition

In order to protect the Group’s interest in its business activities, on 15 December 2015, each of Ms. Wang Xuemei and Sky Prosper Global Limited, the controlling Shareholders of the Company (the “Controlling Shareholders”) (collectively, the “Non-Competing Covenantors”), have entered into a deed of non-competition (“Deed of Non-Competition”) with the Company, pursuant to which each of them has undertaken that, with effect from the Listing Date and for as long as the Shares remain so listed on the GEM of the Stock Exchange and the Controlling Shareholders are individually or collectively with any of her/its close associates interested directly or indirectly in not less than 30% of the issued share capital of the Company (the “Restricted Period”), the Non-Competing Covenantors or their respective close associates shall not, (i) directly or indirectly engage in, participate or hold any right or interest in or render any services to or otherwise be involved in any business (whether as owner, director, operator, licensor, licensee, partner, shareholder, joint venturer, employee, consultant or otherwise) in competition with or likely to be in competition with the existing business carried on by our Group, including but not limited to the manufacture and sale of industrial coated products, the manufacture and sale of CTP module components as well as design and assembly of coated glass production equipment, (the “Restricted Business”); and (ii) directly or indirectly take any action which constitutes an interference with or a disruption of the Restricted Business including, but not limited to, solicitation of our Group’s customers, suppliers or personnel of any member of our Group. Further details of the Deed of Non-Competition are set out in the section headed “Relationship with Controlling Shareholders” of the Prospectus.

The independent non-executive Directors of the Company had reviewed the status of compliance as well as the confirmation by the Controlling Shareholders of the Company and, on the basis of such confirmation, are of the view that such Controlling Shareholders have complied with their non-competition undertakings under the Deed of Non-Competition and these non-competition undertakings have been enforced by the Company in accordance with its terms.

Competition and Conflict of Interests

During the Period, save as disclosed in the Prospectus, none of the Directors or substantial Shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group.

Directors' Interests in Transactions, Arrangements or Contracts of Significance

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

Interests of Compliance Adviser

As notified by the Company's compliance adviser, Guotai Junan Capital Limited, neither Guotai Junan Capital Limited nor any of its directors or employees or close associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) or otherwise in relation of the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules except for the compliance adviser service provided by Guotai Junan Capital Limited) as at the date of this report.

Directors' Securities Transactions

The Company has adopted a code of conduct for securities transactions by Directors on terms equivalent to the Required Standard of Dealings. The Company had made specific enquiries with written guidelines in relation to the Required Standard of Dealings to all Directors, and all Directors have confirmed that they complied with the required standards set out in the Required Standard of Dealings since the Listing Date and for the nine months ended 30 September 2016.

Compliance with the Corporate Governance Code

The Company is committed to promoting high standards of corporate governance through its continuous effort in improving its corporate governance practices and process. The Board believes that sound and reasonable corporate governance practices are essential for sustainable growth of the Group and for safeguarding the interests and the Group's assets.

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

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

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

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

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

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

As at 30 September 2016, save as disclosed above, none of the Board members has any financial, business, family or other material/relevant relationships with each other.

Audit Committee

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

The condensed unaudited consolidated results of the Group for the nine months ended 30 September 2016 have been reviewed by the AC. The AC is of the opinion that the condensed unaudited consolidated results of the Group for nine months ended 30 September 2016 comply with applicable accounting standards, the GEM Listing Rules and that adequate disclosures have been made.

Purchase, Sale or Redemption of the Company’s Listed Securities

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the nine months ended 30 September 2016.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed public float required by the GEM Listing Rules for the nine months ended 30 September 2016 and up to the date of this report.

By order of the Board

Wang Jindong

Chief Executive Officer and Executive Director

Hong Kong, 11 November 2016