中國興業新材料控股有限公司
China Singyes New Materials Holdings Limited

(Incorporated in the Bermuda with limited liability)

Stock Code: 8073

Sole Sponsor

八方金融有限公司
OCTAL Capital Limited

Joint Bookrunners and Joint Lead Managers

元大證券(香港)
Yuanta Securities (Hong Kong)

光大證券
EBS INTERNATIONAL

Listing By Way of Share Offer

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

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)

LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF SHARE OFFER

Number of Offer Shares	**:**	**120,000,000 Shares**
Number of Public Offer Shares	**:**	**12,000,000 Shares (subject to re-allocation and the Offer Size Adjustment Option)**
Number of Placing Shares	**:**	**108,000,000 Shares including 12,000,000 Reserved Shares under the Preferential Offering (subject to the Offer Size Adjustment Option)**
Offer Price	**:**	**HK$1.0 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application subject to refund)**
Nominal value	**:**	**US$0.01 per Share**
Stock code	**:**	**8073**

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

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents delivered to the Registrar of Companies in Hong Kong and available for inspection" in Appendix V to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Registrar of Companies in Hong Kong and the Securities and Futures Commission of Hong Kong take no responsibility as to the contents of this prospectus or any of the other documents referred to above.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including but not limited to the risk factors set out in the section headed "Risk factors" of this prospectus.

Prospective investors of the Offer Shares should note that the Joint Lead Managers (for themselves and on behalf of the Underwriters) is entitled to terminate the obligations of the Underwriters under the Underwriting Agreements by means of a notice in writing given by the Joint Lead Managers (for themselves and on behalf of the Underwriters) upon the occurrence of any of the events set out under the paragraph headed "Grounds for termination" in the section headed "Underwriting" of this prospectus, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Should the Joint Lead Managers (for themselves and on behalf of the Underwriters) terminate the Underwriting Agreements, the Share Offer will not proceed and will lapse.

30 June 2017

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to higher 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.

The principal means of information dissemination on GEM is by publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspaper. Accordingly, prospective investors should note that they need to have access to the Stock Exchange's website at www.hkexnews.hk in order to obtain up-to-date information on companies listed on GEM.

If there is any change to the above following timetable relating to the Share Offer, we will make an appropriate announcement on the Stock Exchange's website at *www.hkexnews.hk* and on our Company's website at *www.syeamt.com* to inform investors accordingly.

2017 *(Note 1)*

Application lists open *(Note 2)*.. 11:45 a.m. on Wednesday, 12 July

Latest time to lodge **WHITE**, **YELLOW** and **BLUE** Application Forms *(Note 2)* .... 12:00 noon on Wednesday, 12 July

Application lists close .... 12:00 noon on Wednesday, 12 July

(1) Announcement of:
- (i) the level of indication of interest in the Placing;
- (ii) the level of application in the Public Offer
- (iii) the results of application in respect of the Public Offer and Preferential Offering; and
- (iv) the basis of allocation of Public Offer Shares and Reserved Shares under the Public Offer and the Preferential Offering, to be published on the Stock Exchange's website at *www.hkexnews.hk (Note 3)*; and our Company's website at *www.syeamt.com (Note 4)* on or before .... Thursday, 20 July

(2) Announcement of results of allocations in the Public Offer and the Preferential Offering (with successful applicants' identification document numbers, where applicable) to be available through a variety of channels including the websites of the Stock Exchange at *www.hkexnews.hk (Note 3)* and the website of our company at *www.syeamt.com (Note 4)* (see the section headed "How to apply for Public Offer Shares and Reserved Shares — 11. Publication of results" in this prospectus) from .... Thursday, 20 July

A full announcement of the Public Offer and the Preferential Offering containing (1) and (2) above to be published on the website of the Stock Exchange at *www.hkexnews.hk (Note 3)* and our Company's website at *www.syeamt.com (Note 4)* from.. Thursday, 20 July

Results of allocations in the Public Offer and the Preferential Offering will be available at *www.tricor.com.hk/ipo/result* with a "search by ID" function on	Thursday, 20 July
Despatch/collection of share certificates in respect of wholly or partially successful applications pursuant to the Public Offer and the Preferential Offering on or before *(Note 5)*	Thursday, 20 July
Despatch of refund cheques in respect of wholly or partially unsuccessful application for the Public Offer and the Preferential Offering *(Note 6)*	Thursday, 20 July
Dealing in the Shares on GEM to commence at 9:00 a.m. on *(Note 7)*	Friday, 21 July

Notes:

1. All times and dates refer to Hong Kong local times and dates.

2. If there is a "black" rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 12 July 2017, the application lists will not open. Further information is set out in the paragraph headed "Effect of bad weather on the opening of the application lists" under the section headed "How to apply for the Reserved Shares" in this prospectus.

3. The announcement will be available for viewing on the "Growth Enterprise Market — Allotment of Results" page on the Stock Exchange's website at *www.hkexnews.hk* and our Company's website at *www.syeamt.com*.

4. None of the website or any of the information contained on the website forms part of this prospectus.

5. Applicants who apply with WHITE and BLUE Application Forms for 1,000,000 or more Public Offer Shares or Reserved Shares under the Public Offer or the Preferential Offering and have provided all information required by their Application Forms may collect their refund cheques and share certificates (as applicable) in person from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 20 July 2017.

   Applicants being individuals who are eligible for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who are eligible for personal collection must attend by their authorised representatives bearing a letter of authorisation from their corporation stamped with the corporation's chop. Both individuals and authorised representatives of corporations must produce, at the time of collection, identification and (where applicable) documents acceptable to our Hong Kong Branch Share Registrar.

   Applicants who apply with YELLOW Application Forms for 1,000,000 or more Public Offer Shares under the Public Offer and have provided all information required by their Application Forms may collect their refund cheques (where relevant) in person but may not collect their share certificates, which will be deposited into CCASS for credit to their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for YELLOW Application Form applicants are the same as those for WHITE Application Form applicants.

6. Refund cheques will be issued in respect of wholly or partially unsuccessful applications. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in the section headed ''How to apply for Public Offer Shares and Reserved Shares'' in this prospectus.

7. Share certificates for the Offer Shares allotted and issued to the placees are expected to be deposited directly into CCASS on or about Thursday, 20 July 2017 for credit to the relevant CCASS Participants' or the CCASS Investor Participants' stock accounts designated by the Joint Lead Managers (for themselves and on behalf of the Underwriters), the placees or their agents (as the case may be). No temporary documents or evidence of title will be issued by our Company.

If there is any change to the above expected timetable, we will make an appropriate announcement on the Stock Exchange's website at *www.hkexnews.hk* and on our Company's website at *www.syeamt.com* to inform investors accordingly.

Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure and conditions of the Share Offer" of this prospectus.

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus. This prospectus may not be used for the purpose of and does not constitute an offer to sell or a solicitation of an offer in any other jurisdiction or in any other circumstances. No action has been taken to permit a Share Offer of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus to make your investment decision. We, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained in this prospectus must not be relied on by you as having been authorised by us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, agents or representatives, or any other person or party involved in the Share Offer.

The contents of our Company's website at www.syeamt.com do not form part of this prospectus.

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This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide to invest in the Offer Shares. There are risks associated with any investment in companies listed on GEM. Some of the particular risks relating to investing in the Offer Shares are set out in the section headed "Risk factors". You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used in this summary are defined in the sections headed "Definitions" and "Glossary" of this prospectus.

BUSINESS MODEL

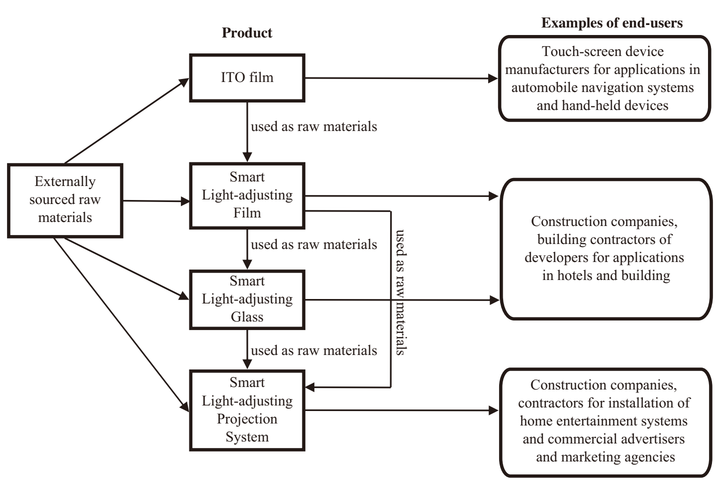
We established Singyes Applicable Materials, our key operating subsidiary in the PRC, in 2010 and commenced our operations in 2011. We:

(i) manufacture and sell ***ITO film*** which can be applied for use in a variety of products including smart phones, GPS systems and other touch-screen devices and equipment; and

(ii) carry out the research and development, production and sale of:

- ***Smart Light-adjusting Film***, which 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***, which permits a user to control the permeability of light through the glass by adjusting the voltage of electricity applied to the Smart Light-adjusting Film fixed therein; and
- ***Smart Light-adjusting Projection System***, which projects visual images onto projection screen made using Smart Light-adjusting Products which is opaque when power source is not applied to it.

Our business model is summarised in the following flow chart:



Our market share in the ITO film market in the PRC in terms of revenues was approximately 2.1% for the year ended 31 December 2015 while we were the leading manufacturer of Smart Light-adjusting Products (namely, Smart Light-adjusting Film and Smart Light-adjusting Glass) and Smart Light-adjusting Projection System products in the PRC, with a market share of 20.4% and 51.2% in the respective markets in terms of revenue for the year ended 31 December 2015.

To maintain a cost-efficient operating structure, we have adopted a vertically integrated business model that gives us more control over our production. We are the only manufacturer in the PRC which is capable of complete vertical integration, relying on our own supply of ITO film for the production of downstream products (such as Smart Light-adjusting Products and Smart Light-adjusting Projection Systems).

The table below sets out the breakdown of our revenues by product type over the Track Record Period:

Product type	Year ended 31 December 2014			Year ended 31 December 2015			Year ended 31 December 2016		
			Average selling price			Average selling price			Average selling price
	RMB'000	*%*	*RMB'000*	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*%*	*RMB'000*
ITO film	18,159	40.5	0.1	18,354	30.4	0.1	13,729	15.1	0.1
Smart Light-adjusting Film	7,200	16.1	1.0	18,621	30.8	0.8	18,882	20.8	0.7
Smart Light-adjusting Glass	18,566	41.4	1.7	8,360	13.8	1.3	26,492	29.1	1.2
Smart Light-adjusting Projection System	—	—	—	13,621	22.5	61.9	23,788	26.2	50.5
Other *(Note)*	880	2.0	N/A	1,521	2.5	N/A	7,996	8.8	N/A
Total	44,805	100		60,477	100		90,887	100	

Note: Other revenues include sales generated from the sale and resale of components, semi-finished goods and accessories relating to our key products such as projectors, glass panels and power switches. The average selling price of other products is not indicative.

The following table sets out the breakdown of production volume of our products by external sales and internal use over the Track Record Period:

	For the year ended 31 December 2014				For the year ended 31 December 2015				For the year ended 31 December 2016			
	Purchase from third parties	Production volume	Volume by external sales	Volume by internal use	Purchase from third parties	Production volume	Volume by external sales	Volume by internal use	Purchase from third parties	Production volume	Volume by external sales	Volume by internal use
	(sq.m./set)	*(sq.m./set) (Note 2)*	*(sq.m./set)*	*(sq.m./set)*	*(sq.m./set)*	*(sq.m./set) (Note 2)*	*(sq.m./set)*	*(sq.m./set)*	*(sq.m./set)*	*(sq.m./set) (Note 2)*	*(sq.m./set)*	*(sq.m./set) (Note 1)*
ITO film	0.0	193,865.2	138,529.0	48,098.2	1,581.6	223,335.2	162,138.0	70,381.6	812.8	285,037.6	129,866.6	124,479.9
Smart Light-adjusting Film *(Note 3)*	542.0	20,008.7	6,984.0	12,280.1	0.0	33,621.0	24,500.0	7,601.2	8,980.7	40,527.2	28,471.6	19,369.2
Smart Light-adjusting Glass	0.0	12,405.2	11,062.0	0.0	16.9	7,629.7	6,220.0	641.9	2.7	21,242.5	22,196.1	143.0
Smart Light-adjusting Projection System	Our Company has not commenced production				0.0	220.0	220.0	0.0	0.0	471.0	471.0	0.0

Notes:

1. Use of "sq.m." if referring to ITO film, Smart Light-adjusting Film and Smart Light-adjusting Glass; use of "set" if referring to Smart Light-adjusting Projection System.

2. "Production volume" includes production for internal use and external uses as well as production for inventory (used for external sales; as samples; for research and development; or scrapped).

3. Actual production volume is calculated based on product size reduced to the measurement required by customers.

The following table set forth our sales volume and average selling price by product type during the Track Record Period:

	Year ended 31 December					
	2014		2015		2016	
	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price
		RMB		*RMB*		*RMB*
ITO film (sq.m.)	138,529	131	162,138	113	129,867	106
Smart Light-adjusting Film (sq.m.)	6,984	1,031	24,500	760	28,472	663
Smart Light-adjusting Glass (sq.m.)	11,062	1,678	6,220	1,344	22,196	1,194
Smart Light-adjusting Projection System (set)	—	—	220	61,914	471	50,505
Other *(Note 1)*	N/A	N/A	N/A	N/A	N/A	N/A

Notes: The sales volume and average selling price of other products is not indicative.

The decrease in average selling price of ITO film over the Track Record Period was driven by our price adjustment to accommodate for prevailing market conditions (including mass production, technological advances, decreasing price of raw materials). Similar factors have led to downward pressure on downstream products such as Smart Light-adjusting Projects and Smart Light-adjusting Projection Systems.

The decrease in sales volume of ITO film in the year ended 31 December 2016 was mainly due to a change in our business strategy (whereby we adopted a vertical integrated model of production; relying on our own supply of ITO film for production of downstream products which we experienced an increase in demand). As such, the sales and production volume of Smart Light-adjusting Products and Smart Light-adjusting Projection Systems had correspondingly increase during the year ended 31 December 2016.

For further details of fluctuation of our sales volume and average selling price, please refer to the section headed “Financial information — Revenue” in this prospectus.

The following table sets out the breakdown of the average self-produced cost and purchase cost over the Track Record Period:

	For the year ended 31 December 2014		For the year ended 31 December 2015		For the year ended 31 December 2016	
	Average production cost *(RMB)*	Average purchase cost *(RMB)*	Average production cost *(RMB)*	Average purchase cost *(RMB)*	Average production cost *(RMB)*	Average purchase cost *(RMB)*
ITO film	76.3/sq.m.	N/A	52.7/sq.m.	89.7/sq.m.	39.8/sq.m.	65.8/sq.m.
Smart Light-adjusting Film	579.4/sq.m.	1,449.4/sq.m.	337.0/sq.m.	N/A	278.3/sq.m.	755.4/sq.m.
Smart Light-adjusting Glass	822.9/sq.m.	1,376.0/sq.m.	771.9/sq.m.	921.3/sq.m.	738.4/sq.m.	1,456.3/sq.m.
Smart Light-adjusting Projection System	Our Company has not commenced production		24,004.3/set	N/A	17,374.6/set	N/A

Note: "N/A" denotes our Company did not purchase that particular item during the relevant period.

To ensure the quality of our products, we have a quality control department which consists of ten members. Quality control is carried out along the production process from procurement of raw materials to packaging and inspection of finished products.

Our customers

Over the Track Record Period, we primarily sold our products to customers in the PRC which included (i) mainly touch-screen device manufacturers in respect of ITO film for application in automobile navigation systems, smart phones and industrial equipment; (ii) mainly construction companies and building contractors of developers in respect of Smart Light-adjusting Products; and (iii) mainly construction companies and users for commercial (including advertising and marketing) purposes in respect of Smart Light-adjusting Projection Systems.

Our sales to our five largest customers represented approximately 43.3%, 33.0% and 36.0% of our total revenues for the years ended 31 December 2014, 2015 and 2016. The duration of our relationship with our five largest customers over the Track Record Period spanned from less than one year to five and a half years. Over the Track Record Period, our products were sold to our customers through direct sales as well as the entering of supply framework agreements and distribution agency agreements. The following is a breakdown of our sales through these sales channels:

	Year ended 31 December					
	2014		2015		2016	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Direct sales *(Note)*	44,320	98.9	59,829	98.9	86,539	95.2
Distribution sales	485	1.1	648	1.1	4,348	4.8
Total	44,805	100	60,477	100	90,887	100

Note: Direct sales includes sales pursuant to supply framework agreements amounting to RMB4.9 million for the year ended 31 December 2016.

Our suppliers

We rely on raw materials for the production of our products. The cost of raw materials for the years ended 31 December 2014, 2015 and 2016 amounted to approximately RMB25.7 million, RMB30.9 million and RMB47.5 million respectively, accounting for approximately 84.3%, 84.6% and 84.8% of our total cost of sales respectively. We source the majority of our raw materials (including PET film) from third party suppliers based in the PRC who are agents of overseas manufacturers, while we also procure certain raw materials (including ITO Target, protective film, PDLC and projectors) from PRC manufacturers. We have not entered into any long-term supply contracts with our suppliers.

For the years ended 31 December 2014, 2015 and 2016, our purchases from (i) our top five suppliers amounted to approximately RMB24.6 million, RMB16.1 million and RMB20.4 million respectively, which accounted for 69.0%, 59.7% and 34.6% of our total purchases respectively; and (ii) our largest supplier amounted to approximately RMB11.8 million, RMB7.0 million and RMB4.9 million respectively, which accounted for 33.2%, 25.9% and 8.3% of our total purchases respectively.

Our production facilities and machinery

We carry out the entire production process of our products at our production base situated at Levels 1 and 2 of Factory Building No.7 of Zhuhai Xingye New Energy and Industrial Park, 9 Jinzhu Road, Gaoxin district, Zhuhai city, Guangdong province of the PRC. Our production facilities comprise offices and factories with a gross floor area of approximately 5,740 sq.m., and are equipped with machinery and equipment used for production of products. The designated production capacity, actual production volume and utilisation rate of machinery used in our production lines for each of our key products are set out below:

	Year ended 31 December		
	2014	**2015**	**2016**
ITO film			
— Designed production capacity	203,372 sq.m.	307,847 sq.m.	621,271 sq.m.
— Actual production volume	193,800 sq.m.	223,000 sq.m.	285,000 sq.m.
— Utilisation rate of production capacity	95.3%	72.4%	45.9%
Smart Light-adjusting Film			
— Designed production capacity	449,176 sq.m.	584,471 sq.m.	584,471 sq.m.
— Actual production volume *(Note)*	36,900 sq.m.	32,800 sq.m.	51,465 sq.m.
— Utilisation rate of production capacity	8.2%	5.6%	8.8%
Smart Light-adjusting Glass			
— Designed production capacity	46,000 sq.m.	46,000 sq.m.	46,000 sq.m.
— Actual production volume	12,400 sq.m.	7,600 sq.m.	21,242 sq.m.
— Utilisation rate of production capacity	27.0%	16.5%	46.2%

Note: Actual production volume has been calculated based on the product size before reducing to the measurement as required by our customers.

Our research and development

As at 31 December 2016, our research and development team consisted of 14 full-time engineers and technicians. Our research efforts have led to (i) our recognition as a high-tech enterprise by PRC government authorities; (ii) publication of industry-related periodicals; (iii) our subsidiary being a leading drafting party of national and regional industry standards of Smart Light-adjusting Products; (iv) the successful registration of 32 patents (five applications pending) with intellectual property offices in the PRC; and (v) our receipt of various subsidies and grants from the PRC government.

Over the Track Record Period, we have (i) commenced the production and sale of Smart Light-adjusting Projection Systems mainly for indoor home entertainment purposes of our customers; and (ii) entered into agreements for the supply of Smart Light-adjusting Projection Systems for commercial advertising and marketing purposes of our customers. Our Directors believe, as confirmed by the F&S Report, that the Smart Light-adjusting Projection System market has substantial potential for growth, and therefore, we intend to invest in production lines for mass production and to devote resources on further research and development.

OUR COMPETITIVE STRENGTHS

Our Directors believe that our competitive strengths, including the following, details of which are set out in the section headed "Business — Our competitive strengths" in this prospectus, contribute to our success:

- we are the only manufacturer in the PRC capable of producing ultra-wide ITO films with a roll width of up to 2,100mm; and
- we have a professional research and development team which enables us to develop industry-leading technologies and know-how, some of which are patented.

BUSINESS STRATEGIES

Our business objectives are to enhance our production efficiency and product quality, maintain and/or consolidate our market position and improve our brand recognition. To achieve these objectives (details of which are set out in the section headed "Business — Our business strategies" in this prospectus), we intend to pursue the following principal strategies:

- increase our production efficiency and product quality in order to maintain our market position in the PRC through the implementation of various enhancement and improvement projects;
- continue to devote resources on research and development to improve our production process, explore and test new materials for use, broaden our product range and applications as well as realise our potential in the Smart Light-adjusting Projection System market;
- continue to develop our business in line with PRC government's policy incentives for high-tech and eco-friendly enterprises; and
- expand our presence in overseas market through increasing our sales and marketing efforts and increasing our overseas sales through cooperation with overseas agencies.

KEY OPERATIONAL AND FINANCIAL DATA

The table below sets forth a summary of the consolidated results of our Group during the Track Record Period, which have been extracted from, and should be read in conjunction with, the accountants' report set out in Appendix I to this prospectus.

Highlights of our consolidated statements of profit or loss and other comprehensive income

	Year ended 31 December		
	2014	2015	2016
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Revenue	44,805	60,477	90,887
Cost of sales	(30,524)	(36,581)	(56,084)
Gross profit	14,281	23,896	34,803
Other income and gains	14	1,089	1,065
Selling and distribution expenses	(5,211)	(5,633)	(8,107)
Administrative expenses	(6,758)	(7,771)	(17,932)
Other expenses	(1,518)	(1,968)	(1,000)
Finance costs	(106)	(205)	—
Profit before tax	702	9,408	8,829
Income tax expense	(313)	(1,712)	(2,448)
Profit for the year	389	7,696	6,381

Highlights of consolidated statements of financial position

	As at 31 December		
	2014	2015	2016
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
ASSETS AND LIABILITIES			
Non-current assets	38,223	46,203	40,551
Current assets	50,334	43,550	85,933
Current liabilities	(37,778)	(31,269)	(48,045)
Non-current liabilities	—	—	(812)
Net current assets	12,556	12,281	37,888
NET ASSETS	50,779	58,484	77,627

Highlight of consolidated statement of cash flows

	Year ended 31 December		
	2014	2015	2016
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Cash flow generated from operating activities before changes in working capital and tax paid	5,316	14,954	14,863
Net cash flows from/(used in) operating activities	9,718	20,232	(12,750)
Net cash flows used in investing activities	(5,368)	(11,212)	(1,306)
Net cash flows from/(used in) financing activities	(2,592)	(4,525)	14,547
Net increase in cash and cash equivalents	1,758	4,495	491
Cash and cash equivalents at the beginning of the year	904	2,662	7,166
Cash and cash equivalents at the end of the year	2,662	7,166	7,523

Net cash flows used in operating activities amounted to RMB12.8 million for the year ended 31 December 2016, and consisted primarily RMB14.9 million of cash generated from operations before working capital adjustments and net working capital adjustments of RMB25.6 million. Our negative net working capital adjustments were primarily attributable to (i) an increase in trade and bills receivables which resulted from substantial amount of sales being recorded on credit over the period between October and December of 2016 in the amount of approximately RMB30.3 million; and (ii) the deferred Listing fees of approximately RMB3.1 million, which was partially offset by (i) an increase in trade payables which resulted from the purchase of raw materials in the amount of approximately RMB8.6 million; and (ii) an increase in other payables and accruals mainly due to increased tax and surcharges payables.

Cost of sales

	Year ended 31 December					
	2014		2015		2016	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Raw materials	25,721	84.3	30,932	84.6	47,532	84.8
Manufacturing overheads *(Note)*	2,994	9.8	3,467	9.5	6,228	11.1
Direct labor	1,809	5.9	2,182	5.9	2,324	4.1
Total	30,524	100	36,581	100	56,084	100

Note: Manufacturing overheads primarily include depreciation of our property, plant and equipment and other manufacturing costs.

Gross profit and gross profit margin of our products

	Year ended 31 December								
	2014			2015			2016		
	Gross profit		**Gross profit margin**	**Gross profit**		**Gross profit margin**	**Gross profit**		**Gross profit margin**
	RMB'000	*%*	*%*	*RMB'000*	*%*	*%*	*RMB'000*	*%*	*%*
ITO film	3,115	21.8	17.2	3,663	15.3	20.0	3,222	9.3	23.5
Smart Light-adjusting Film	3,993	28.0	55.5	9,685	40.5	52.0	10,713	30.7	56.7
Smart Light-adjusting Glass	7,282	51.0	39.2	2,271	9.5	27.2	7,902	22.7	29.8
Smart Light-adjusting Projection System	—	—	—	7,907	33.1	58.1	10,673	30.7	44.9
Other *(Note)*	(109)	(0.8)	(12.4)	370	1.6	24.3	2,293	6.6	28.7
Total	14,281	100	31.9	23,896	100	39.5	34,803	100	38.3

Note: Other profits include profits resulting from revenues from the sale and resale of components, semi-finished goods and accessories relating to and/or used in our key products such as projectors, glass panels and power switches.

KEY FINANCIAL RATIOS

	As of/for the year ended 31 December		
	2014	2015	2016
Net profit margin (%)	0.9	12.7	17.7 *(Note 1)*
Gross profit margin (%)	31.9	39.5	38.3
Return on equity (%)	0.8	13.2	20.7 *(Note 2)*
Return on total assets (%)	0.4	8.6	12.7 *(Note 2)*
Interest coverage (times)	7.6	46.9	N/A
Current ratio (times)	1.3	1.4	1.8
Gearing ratio (%)	67.9	39.9	50.6 *(Note 3)*
Inventory turnover days	111.0	110.9	66.8
Trade and bills receivable turnover days	195.7	160.1	170.7
Trade payable turnover days	76.2	106.6	122.3

Notes:

1. Our net profit would be approximately RMB16.1 million for the year ended 31 December 2016 if the non-recurring Listing expenses of approximately RMB9.7 million attributable to that period were to be excluded.

2. Using our net profit for the year ended 31 December 2016 excluding the non-recurring Listing expenses of approximately RMB9.7 million.

3. Gearing ratio is calculated based on net debt at the end of the respective year divided by total equity, multiplied by 100%. Net debt comprises trade payables, interest-bearing bank loans, other payables and accruals, and tax payable, less cash and cash equivalents and pledged deposits.

LISTING EXPENSES

Our expenses in relation to the Listing (including underwriting commission) are expected to be approximately RMB23.1 million (equivalent to approximately HK$26.5 million) (at a Offer Price of HK$1.0 per Offer Share and assuming that the Offer Size Adjustment Option is not exercised), of which (i) approximately RMB8.1 million (equivalent to approximately HK$9.3 million) is directly attributable to the issue of the Offer Shares under the Share Offer and are expected to be accounted for as a reduction from equity; and (ii) the remaining amount of approximately RMB15.0 million (equivalent to approximately HK$17.2 million) has been or will be charged to and reflected in the consolidated statements of profit or loss and other comprehensive income, of which (a) approximately RMB9.7 million (equivalent to approximately HK$11.1 million) was charged for the year ended 31 December 2016; and (ii) the remainder of approximately RMB5.3 million (equivalent to approximately HK$6.1 million) is expected to be recognised in the period subsequent to the Track Record Period. The impact of the Listing expenses on the profit and loss accounts has affected our financial performance and conditions and results of operation for the year ended 31 December 2016.

Our Directors would like to emphasise that the Listing expenses stated above are our current estimations only for reference purpose. The actual amount to be recognised is subject to adjustments based on audit and the then changes in variables and assumptions. Nonetheless, we expect that these non-recurring Listing expenses will materially and adversely affect our Group's financial performance and condition and results of operations for the year ending 31 December 2017.

REASONS FOR THE SHARE OFFER AND USE OF PROCEEDS

Our Directors estimate that the aggregate net proceeds from the Share Offer (after deducting underwriting commission and other estimated expenses payable by us in connection with the Share Offer), based on Offer Price of HK$1.0 per Offer Share, will be approximately HK$93.5 million, assuming the Offer Size Adjustment Option is not exercised.

Our Directors believe that the Share Offer and the net proceeds therefrom will enhance our profits, assist us to maintain and/or consolidate our market position as well as provide us with additional capital to implement our future plans. In terms of implementation of our future plans, we intend to apply the proceeds from the Share Offer in the following manner:

(i) approximately 43.1% of the total estimated net proceeds, or approximately HK$40.6 million, will be used for purchase of machinery and equipment, including for enhancement and automation projects as well as establish new production lines;
(ii) approximately 28.8% of the total estimated net proceeds, or approximately HK$27.1 million, will be used to research and development of new materials and products;
(iii) approximately 10.4% of the total estimated net proceeds, or approximately HK$9.8 million, will be used for the purpose of overseas business expansion;
(iv) approximately 9.3% of the total estimated net proceeds, or approximately HK$8.7 million, will be used for sales and marketing purposes; and
(v) approximately 7.8% of the total estimated net proceeds, or approximately HK$7.3 million, will be used for general working capital and other general corporate purposes.

Our Directors believe the successful implementation of our future plans would be conducive to increasings our competitiveness in the market in which we operate which will assist us in securing more customers and in turn assist us in achieving our goal of increasing our market presence and geographical reach both in the PRC and abroad. For details of the reasons of the Share Offer, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus.

DIVIDEND

Our Group did not declare or pay any dividends during the Track Record Period. As such, there is no reference or basis to determine the level of dividends that may be declared and paid to our Shareholders after Listing.

After the completion of the Share Offer, our Shareholders will be entitled to receive dividends only when declared by our Directors. Our Company does not have any pre-determined dividend policy or dividend distribution ratio. The payment and the amount of any future dividends will be at the discretion of our Directors, and will depend on our future operations and earnings, capital requirements and surplus, cash flow, future prospects, general financial condition and other factors that our Directors may consider relevant. As these factors and the payment of dividends are at the discretion of our Board, there can be no assurance that any particular dividend amount, or any dividend at all, will be declared or paid in the future. Further, any dividend distribution is subject to our compliance with the Companies Act and our Memorandum of Association and Bye-laws.

SHAREHOLDER INFORMATION

Controlling Shareholders

Immediately following the Capitalisation Issue and Share Offer, each of Mr. Liu, Strong Eagle, Top Access and Singyes Solar will directly or indirectly control more than 30% of the issued share capital of our Company, and will be a Controlling Shareholder of our Company.

Pre-IPO investors

On 1 March 2016, our Company entered into subscription agreements with each of Kunlun Holdings Group Limited and Raton Race Investments Limited, Independent Third Parties, pursuant to which they agreed to subscribe for approximately 6.0% and 4.0% respectively of the then issued share capital of our Company at a discount of approximately 57.0% to the Offer Price. The respective interests of Kunlun Holdings Group Limited and Raton Race Investments Limited will be diluted to 4.4% and 3.0% respectively upon Listing (assuming the Offer Size Adjustment Option is not exercised) and the relevant Shares will be subject to a lock-up period of six months from the Listing Date. For further details of our Controlling Shareholders and these pre-IPO investors, please refer to the section headed "History, reorganisation and group structure" in this prospectus.

SHARE OFFER STATISTICS

Market capitalisation upon Listing *(Note 1)*	HK$480,000,000
Offer size	HK$120,000,000
Offer price per Offer Share	HK$1.0
Number of Offer Shares	120,000,000
Board lot	4,000 Shares
Unaudited pro forma adjusted consolidated net tangible assets per Share *(Note 2)*	HK$0.41

Notes:

(1) The calculation of market capitalisation is based on 480,000,000 Shares in issue or expected to be in issue immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares that may be allotted and issued upon the exercise of the Offer Size Adjustment Option) and the Offer Price of HK$1.0 per Offer Share.

(2) The unaudited pro forma adjusted consolidated net tangible assets per Share has been arrived at after the adjustments as referred to under the paragraph headed "Unaudited pro forma statement of adjusted net tangible assets" in Appendix II to this prospectus and on the basis of 480,000,000 Shares in issue at the Offer Price of HK$1.0 per Offer Share immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares that may be allotted and issued upon the exercise of the Offer Size Adjustment Option). The unaudited pro forma adjusted consolidated net tangible assets per Share is converted to Hong Kong dollars from Renminbi at an exchange rate which set forth in the paragraph headed "Exchange rate conversion" of the section headed "Information about this prospectus and Share Offer" in this prospectus. No representation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that date.

PRINCIPAL RISK FACTORS

Any of the risks below and other risks set out in the "Risk Factors" section of this prospectus may materially and adversely affect our business, financial conditions and/or results of operations:

- competition in the ITO film and Smart Light-adjusting Products industry could materially and adversely affect our financial performance;
- failure to protect our intellectual property rights and/or any claims of infringement of intellectual property by third parties may potentially harm our business and competitive position or materially affect our results of operation;
- our inability to attract and retain key personnel may materially and adversely affect our business;
- our Group relies on a single production base to manufacture our products and therefore any disruption at the production base could materially and adversely affect our business and operations;
- our financial performance and results of operations for the year ending 31 December 2017 will be affected by expenses incurred in respect of the Listing; and
- we may be exposed to delays and/or defaults on payments from our customers, while remaining obligated to satisfying payment obligations to our suppliers, which would materially and adversely affect our cash flows or financial results.

LEGAL COMPLIANCE AND PROCEEDINGS

Our PRC legal advisers have confirmed that our Group has obtained all necessary licences, permits, approvals and certificates required for the carrying on of our business operations, and that such licences, permits, approvals and certificates are valid and subsisting.

Over the Track Record Period, Singyes Applicable Materials, our operating subsidiary, has failed to make adequate social security and housing provident fund payments for its employees in full compliance with applicable PRC laws and regulations. Please refer to the section headed "Business — Non-compliance" of this prospectus for further details. During the Track Record Period and up to the Latest Practicable Date, no fines or penalties were imposed on any member of our Group for any non-compliance. Our Group has not been and were not a party to any material legal, arbitral or administrative proceedings over the Track Record Period and up to the Latest Practicable Date.

MATERIAL ADVERSE CHANGE

Other than the non-recurring Listing expenses disclosed above, our Directors confirmed that, up to the date of this prospectus, there had been no material adverse change in the financial or trading position of our Group since 31 December 2016 (being the date the latest audited consolidated financial statements of our Group were made up), and there had been no event since 31 December 2016 which would materially affect the information shown in the accountants' report set out in Appendix I to this prospectus.

RECENT DEVELOPMENT

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have continued to focus on developing our business and sales of our products. In particular, during this period:

(i) we have received new domestic sales orders for approximately 53,427.2 sq.m., 9,477.9 sq.m., 17,736.4 sq.m. of ITO film, Smart Light-adjusting Film and Smart Light-adjust Glass respectively as well as 256 sets of Smart Light-adjusting Projection Systems, with total order sum of approximately RMB57.7 million;

(ii) we have received new overseas sales orders for approximately 1,140.0 sq.m., 5,922.7 sq.m., 907.3 sq.m. of ITO film, Smart Light-adjusting Film and Smart Light-adjusting Glass respectively, with total order sum of approximately RMB5.5 million;

(iii) as at the Latest Practicable Date, we had successfully collected approximately RMB36.3 million, or 60.4%, of the outstanding balance of our trade receivables as of 31 December 2016; and

(iv) as at the Latest Practicable Date, approximately RMB14.5 million, or 62.6%, of our trade payables outstanding as of 31 December 2016 were paid.

There had not been, as far as we are aware, any material change in the general economic and market conditions in the industry in which we operate that have had a material and adverse impact on our business operations and financial conditions since 31 December 2016 and as of the Latest Practicable Date.

In this prospectus, unless the context otherwise requires, the following expressions have the following meaning. Certain technical terms are explained in the section headed "Glossary" in this prospectus:

"Application Form(s)"	**WHITE** Application Form(s) and **YELLOW** Application Form(s) to be used in the Public Offer and **BLUE** Application Form(s) to be used for the Preferential Offering or, where the context requires, any of them
"associate(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Assured Entitlement"	the entitlement of the Qualifying Singyes Solar Shareholders to apply for the Reserved Shares on an assured basis under the Preferential Offering to be determined on the basis of their respective shareholdings in Singyes Solar as at 4:30 p.m. on Record Date
"audit committee"	the audit committee of our Board
"**BLUE** Application Form(s)"	the application form(s) to be sent to Qualifying Singyes Solar Shareholders to subscribe for the Reserved Shares pursuant to the Preferential Offering
"Board" or "our Board"	our board of Directors
"Business Day"	a day (other than Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"Bye-laws"	the bye-laws of our Company adopted on 23 June 2017, a summary of which is set out in Appendix III to this prospectus, and as amended from time to time
"Capitalisation Issue"	the allotment and issue of 359,988,900 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in the paragraph headed "Changes in share capital of our Company" under the section headed "Statutory and general information — Further information about our Company" in Appendix IV to this prospectus
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC

"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Operational Procedures"	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"close associates"	has the meaning ascribed to it under the GEM Listing Rules
"Companies Act"	the Companies Act 1981 of Bermuda, as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong in force with effect from 3 March 2014), as amended, supplemented or otherwise modified from time to time
"Companies (Winding up and Miscellaneous Provisions) Ordinance"	the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	China Singyes New Materials Holdings Limited (中國興業新材料控股有限公司), an exempted company incorporated in Bermuda on 14 November 2014 with limited liability under the Companies Act and registered in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 18 April 2016
"connected person(s)"	has the meaning ascribed to it under the GEM Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the GEM Listing Rules

"Controlling Shareholder(s)"	has the meaning ascribed to it under the GEM Listing Rules and unless the context requires otherwise, in the context of our Company, means each of Mr. Liu, Strong Eagle, Top Access and Singyes Solar. Details of their shareholdings are set forth in the section headed "Relationship with Controlling Shareholders" in this prospectus and the paragraph headed "Disclosure of interests" under the section headed "Statutory and general information — Further information about Directors, substantial shareholder and experts" in Appendix IV to this prospectus
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules
"Deed of Indemnity"	the deed of indemnity dated 23 June 2017 executed by Singyes Solar, as indemnifier, in favour of our Company (for ourselves and as trustee for each of our subsidiaries) relating to, among other matters, the tax liabilities of the Group, particulars of which are set out in the paragraph headed "Indemnities" under the section headed "Statutory and general information — Other information" in Appendix IV to this prospectus
"Deed of Non-competition"	the deed of non-competition dated 23 June 2017 given by Singyes Solar in favour of our Company (for ourselves and as trustee for each of our subsidiaries) pursuant to which Singyes Solar agreed to provide certain non-competition undertakings to our Company (for ourselves and as trustee for each of our subsidiaries), particulars of which are set out in the paragraph headed "Non-competition undertaking" in the section headed "Relationship with Controlling Shareholders" of this prospectus
"Director(s)" or "our Director(s)"	the director(s) of our Company
"EIT Law"	中華人民共和國企業所得稅法 (the PRC Enterprise Income Tax Law*) adopted by the Tenth National People's Congress of the PRC on 16 March 2007, and effective on 1 January 2008
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an industry consultant engaged by our Company, which is an Independent Third Party
"F&S Report"	an industry research report commissioned by our Company and prepared by Frost & Sullivan in relation to the industry of our Group
"GEM"	the Growth Enterprise Market of the Stock Exchange

"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM, as amended, supplemented and/or otherwise modified from time to time
"Group", "our Group", "we" or "us"	our Company and our subsidiaries or, where the context so required, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were our Company's subsidiaries at the relevant time, or the business acquired or operated by them or (as the case may be) their predecessors
"HKEx"	Hong Kong Exchanges and Clearing Limited
"HKICPA"	Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants)
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited
"HK$" and "cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Branch Share Registrar"	Tricor Investor Services Limited
"IFRS"	International Accounting Standards, International Financial Reporting Standards, amendments and the related interpretations issued by the International Accounting Standards Board
"Independent Third Parties"	individual(s) or company(ies) who is/are or which is/are independent of and not connected with (within the meaning of the GEM Listing Rules) any Directors, chief executive or substantial shareholders (within the meaning of the GEM Listing Rules) of our Company or any of its subsidiaries or any of their respective associates
"Joint Lead Managers" or "Joint Bookrunners"	Yuanta Securities (Hong Kong) Company Limited and China Everbright Securities (HK) Limited
"Latest Practicable Date"	21 June 2017, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information of this prospectus

"Listing"	the proposed listing of the Shares on GEM
"Listing Date"	the date on which dealings in the Shares first commence on GEM, which is expected to be on Friday, 21 July 2017
"Listing Division"	the listing division of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented and/or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
"Memorandum of Association"	the memorandum of association of our Company adopted on 23 June 2017, and as amended and supplemented from time to time
"MOFCOM"	中華人民共和國商務部 (Ministry of Commerce of the PRC*) or its predecessor, 中華人民共和國對外經濟貿易部 (Ministry of Foreign Trade and Economic Cooperation of the PRC*)
"Mr. Liu"	Mr. Liu Hongwei, the non-executive Director and chairman of the Board of our Company
"Mr. Sun"	Mr. Sun Jinli, an executive Director and a chief executive officer of our Company
"NDRC"	National Development and Reform Commission of the PRC
"nomination committee"	the nomination committee of our Board
"Offer Price"	the offer price of each Offer Share (excluding brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of HK$1.0 per Offer Share
"Offer Shares"	the 120,000,000 new Shares being offered by our Company for subscription at the Offer Price under the Share Offer (together, where relevant, with any additional Shares which may be issued pursuant to the Offer Size Adjustment Option)

"Offer Size Adjustment Option"	the option proposed to be granted by our Company to the Placing Underwriters, exercisable by the Joint Lead Managers or their agents on behalf of the Placing Underwriters, at its sole and absolute discretion, to require our Company to allot and issue up to an aggregate of 18,000,000 additional Placing Shares, representing 15% of the initial number of Offer Shares under the Share Offer, at the Offer Price, to cover any over-allocations in the Placing as described in the section headed "Structure and conditions of the Share Offer" in this prospectus
"Overseas Singyes Solar Shareholders"	registered holders of Singyes Solar Shares whose addresses on the register of members of Singyes Solar were outside of Hong Kong as at 5:00 p.m. on the Record Date
"Placing"	the conditional placing by the Underwriters on behalf of our Company of the Placing Shares for cash at the Offer Price, as further described under the section headed "Structure and conditions of the Share Offer" of this prospectus
"Placing Shares"	the 108,000,000 newly issued Shares offered by our Company (comprising (i) 96,000,000 newly issued Shares (representing 80% of the initial number of the Offer Shares); and (ii) 12,000,000 Reserved Shares which may be taken up by Qualifying Singyes Solar Shareholders under the Preferential Offering), together with any additional Shares which may be issued pursuant to the Offer Size Adjustment Option, to be conditionally placed with professional, institutional and other investors, subject to reallocation described in the section headed "Structure and conditions of the Share Offer" in this prospectus
"Placing Underwriter(s)"	the underwriter(s) of the Placing named in the section headed "Underwriting — Underwriters — Placing Underwriters" in this section of the prospectus that is expected to enter into the Placing Underwriting Agreement to underwrite subscription of the Placing Shares
"Placing Underwriting Agreement"	the conditional underwriting agreement relating to the Placing, expected to be entered into by, among others, our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Placing Underwriters, as further described in the section headed "Underwriting — The Placing Underwriting Agreement" in this prospectus

"PRC" or "China"	the People's Republic of China which, for the purposes of this prospectus only (unless otherwise indicated), excludes Hong Kong, Macau and Taiwan
"Public Offer"	the offer by our Company of the Public Offer Shares for subscription to the public in Hong Kong at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) as described in the section headed "Structure and Conditions of the Share Offer" in this prospectus and on and subject to the terms and conditions stated herein and in the Application Forms relating thereto
"Preferential Offering"	the preferential offering (as to allocation only) of the Reserved Shares to Qualifying Singyes Solar Shareholders at the Offer Price, subject to and in accordance with the terms and conditions set out in this prospectus and the **BLUE** application form, as further described under the paragraph headed "Preferential Offering" in the section headed "Structure and condition of Share Offer" in this prospectus
"Proposed Spin-off" or "Spin-off"	the proposed spin-off of the new materials business of Singyes Solar by way of a separate listing of Singyes Applicable Materials on GEM
''Public Offer Shares''	the 12,000,000 newly issued Shares offered by our Company for subscription at the Offer Price pursuant to the Public Offer (representing 10% of the initial number of the Offer Shares), subject to reallocation as described in the section headed ''Structure and conditions of the Share Offer'' in this prospectus
''Public Offer Underwriter(s)''	the underwriter(s) of the Public Offer named in the section headed ''Underwriting — Underwriters — Public Offer Underwriters'' in this section of the prospectus that is expected to enter into the Public Offer Underwriting Agreement to underwrite subscription of the Public Offer Shares
''Public Offer Underwriting Agreement''	the conditional underwriting agreement dated 28 June 2017 relating to the Public Offer entered into by our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters, as further described in section headed ''Underwriting — The Public Offer Underwriting Agreement'' in this prospectus

"Qualifying Singyes Solar Shareholders"	registered holders of Singyes Solar Shares (other than the Overseas Singyes Solar Shareholders), whose names appear on the register of members of Singyes Solar as at 4:30 p.m. on the Record Date
"Record Date"	Thursday, 6 July 2017, being the record date for ascertaining the Qualifying Singyes Solar Shareholders who shall be entitled to the Assured Entitlement
"Remaining Group"	Singyes Solar and its subsidiaries, but for the purpose of this prospectus only, do not include any member of our Group
"remuneration committee"	the remuneration committee of our Board
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Reorganisation"	the corporate reorganisation of our Group in preparation for the Listing, as set out in the paragraph headed "Our corporate history and group structure" under the section headed "History, reorganisation and group structure" in this prospectus
"Reserved Shares"	an aggregate of 12,000,000 Placing Shares (representing 10% of the Offer Shares without taking into account any Shares which may be issued and allotted pursuant to the exercise of the Offer Size Adjustment Option), reserved for the Qualifying Singyes Solar Shareholders in the Preferential Offering
"SAFE"	中華人民共和國外匯管理局 (State Administration of Foreign Exchange of the PRC*)
"SAT"	中華人民共和國國家稅務總局 (State Administration of Taxation of the PRC*)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of nominal value of US$0.01 each in the share capital of our Company
"Shareholder(s)"	holder(s) of the Shares
"Share Offer"	collectively the Public Offer, the Placing and the Preferential Offering

"Singyes Applicable Materials"	珠海興業應用材料科技有限公司 (Zhuhai Singyes Applicable Materials Technology Company Limited*), a company established in the PRC on 31 March 2010 with limited liability and an indirect wholly-owned subsidiary of our Company
"Singyes Energy-saving"	珠海興業節能科技有限公司 (Zhuhai Singyes Energy-saving Technologies Co., Ltd*), an indirect wholly-owned subsidiary of Singyes Solar
"Singyes HK"	香港興業新材料有限公司 (Singyes New Materials (H.K.) Company Limited*), a company incorporated in Hong Kong on 28 November 2014 and a direct wholly-owned subsidiary of our Company
"Singyes Renewable Energy"	珠海興業新能源科技有限公司 (Zhuhai Singyes Renewable Energy Technology Co., Ltd*), an indirect wholly-owned subsidiary of Singyes Solar
"Singyes Solar"	中國興業太陽能技術控股有限公司 (China Singyes Solar Technologies Holdings Limited*), an exempted company incorporated in Bermuda on 24 October 2003 with limited liability and the shares of which are listed on the Main Board (stock code: 00750), and is a Controlling Shareholder of our Company
"Singyes Solar Excluded Shareholders"	the Overseas Singyes Solar Shareholders whom the board of directors of Singyes Solar, having made relevant enquiries, considers exclusion from the Assured Entitlement to apply for Reserved Shares to be necessary or expedient on account either of legal restrictions under the laws of relevant place or residence or the requirements of the relevant regulatory body or stock exchange in that place
"Singyes Solar Shareholders"	holder(s) of Singyes Solar Shares
"Singyes Solar Shares"	share(s) of Singyes Solar
"Sole Sponsor"	Octal Capital Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the sole sponsor of the Share Offer
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Strong Eagle"	Strong Eagle Holdings Limited, a company incorporated in BVI with limited liability on 12 February 2004, a controlling shareholder of Singyes Solar whose principal activity is investment holding and is legally and beneficially owned by Mr. Liu, Mr. Sun, Mr. Xie Wen, Mr. Xiong Shi and Mr. Zhuo Jianming as to 53%, 15%, 13%, 10% and 9% respectively
"Substantial Shareholder(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented and/or otherwise modified from time to time
"Top Access"	Top Access Management Limited, a limited liability company incorporated in the BVI and a direct wholly-owned subsidiary of Singyes Solar and a Controlling Shareholder of our Company
"Track Record Period"	the financial period comprising the three years ended 31 December 2016
"Trade Marks Registry"	Trade Marks Registry of the Intellectual Property Department of Hong Kong
"Trademark Office"	Trademark Office of the State Administration for Industry & Commerce of the PRC
"Underwriters"	collectively the Public Offer Underwriters and the Placing Underwriters
"Underwriting Agreements"	collectively the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
"United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$" or "USD" or "US dollars"	United States dollars, the lawful currency of the United States
"**WHITE** Application Form(s)"	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant's or applicants' own name
"**YELLOW** Application Form(s)"	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS

"p.a."	per annum
"sq.m."	square meter
"%"	per cent.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

If there is any inconsistency between the Chinese names of entities, authorities, organisations, institutions or enterprises established in the PRC or awards or certificates given in the PRC and their English translations, the Chinese language version or Chinese names shall prevail. The English translation of company names in Chinese which are marked with "" and the Chinese translation of company names in English which are marked with "*" is for identification purpose only.*

Unless otherwise specified, all times refer to Hong Kong time and reference to years in this prospectus are to calendar years.

Unless otherwise specified, all references to any shareholding in the Company in this prospectus assumes no allotment or issue of any Shares which may be issued and allotted pursuant to the exercise of the Offer Size Adjustment Option.

This glossary of technical terms contains explanations of certain technical terms used in this prospectus as they relate to us they are used in this prospectus in connection with our business or us. These terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

"AB glue"	an epoxy adhesive used to adhere objects of same or different materials. It is tolerant of water, corrosion and oil, and is anti-corrosion and electricity insulant
"AC power"	main electric power
"Air Handling Unit (AHU) compression-type water chiller"	a mechanical device used to facilitate heat exchange from water to a refrigerant in a closed loop system. The refrigerant is then pumped to a location where the waste heat is transferred to the atmosphere
"autoclave"	a pressure chamber used to carry out industrial processes requiring elevated temperature and pressure different to ambient air pressure
"CAGR"	compound annual growth rate, the year-on-year growth rate over a specified period of time
"coating"	a covering (or cover) that is applied to the surface of an object, usually referred to as the substrate. The purpose of applying the coating may be decorative, functional or both
"coating and laminating machine"	a machine that performs coating and laminating
"curing"	toughening or hardening of a polymer material by cross-linking of polymer chains, brought about by electron beams, heat, UV or chemical additives
"decibels"	a logarithmic unit used to express the ratio of two values of a physical quantity, including power or intensity
"EVA"	abbreviation of ethylene-vinyl, an elastomeric polymer that produces materials which are rubber-like in softness and flexibility
"EN 14582:2007"	a standard for the characterisation of waste, including halogen and sulphur content, oxygen combustion in closed systems and determination methods issued by British Standards Institution

"GB/T11944- 2012"	a standard which specified the terms and definitions of hollow glass, including its classification, requirements, test methods, inspection rules, packaging, labelling, transportation and storage; this standard applies to the construction and building outside of refrigeration, decoration and traffic hollow glass, formally implemented on 1 September 2013 issued by the Standardisation Administration of China
"GB15763.3-2009"	a standard which specifies the laminated glass used in construction, including its classifications, materials, requirements, test methods and inspection rules issued by the Standardisation Administration of China
"GB8621"	a standard which applies to factory production of, among others, industrial and civil buildings facades, walls, roof, issued by the Standardisation Administration of China
"GDP"	gross domestic product, the total market value of all the goods and services produced within the borders of a nation during a specified period of time
"GPS"	global positioning system (GPS), a space-based navigation system that provides location and time information in all weather conditions, anywhere on or near the Earth where there is an unobstructed line of sight to four or more GPS satellites
"haze"	the cloudy appearance on the interior area or surface of transparent or translucent materials arising from light diffusion, measured by the percentage of the luminous flux diffused over the luminous flux passing through materials
"high precision wet laminating machine"	a machine which performs wet lamination, a process which applies a layer of dispersing, aqueous glue on the film. The film is then applied to the substrate under pressure
"ISO"	an acronym for a series of quality management and quality assurance standards published by International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations

"ISO9001"	an internationally recognised standard for a quality management system. It aims at the effectiveness of the quality management system in meeting customer requirements. It prescribes requirements for ongoing improvement of quality assurance in design, development, production, installation and servicing
"ISO9050:2003"	an internationally recognised standard for methods of determining light and energy transmittance of solar radiation for glazing in buildings; these characteristic data can serve as a basis for light, heating and ventilation calculations of rooms and can permit comparison between different types of glazing
"ISO10292:1994"	an internationally recognised standard that applies to glass, coated glass and materials opaque in the far infrared wavelengths; this gives the fundamental rules for calculating the thermal transmittance in the glazing central area (edge effects are not included)
"ITO"	indium tin oxides, applied as a film to create transparent conductive coatings in the opto-electronic industry
"ITO sputtering machine"	a machine which sputtering ITO Targets onto the film, a process whereby particles are ejected from a solid target material due to bombardment of the target by energetic particles
"ITO Target"	an oxidised compound of indium and tin which determines the quality, density and surfaces of ITO film
"JC/T 2129-2012"	a standard for Smart Light-adjusting Glass set up by the Ministry of Industry and Information Technology in the PRC and implemented on 1 June 2013
"laminated glass production line"	a production line which performs lamination on glass
"laminating/lamination"	manufacturing by bonding multiple layers of materials
"LCD"	liquid crystal display, an electronic display that consists of segments of a liquid crystal whose reflectivity varies according to the voltage applied to them
"LED"	light-emitting diode, a semiconductor diode which glows when a voltage is applied

"light transmission rate"	the percentage of the luminous flux passing through transparent or translucent materials over the incident flux
"m" or "meter"	a base unit of length in the International System of Units measured as the length of the path travelled by light in vacuum during a time interval of 1/299,792,458 of a second, and is equal to one hundred centimetres
"magnetron sputtering"	a high-rate vacuum coating technique for depositing ITO onto PET film
"mm"	millimeter(s), a unit of length in the metric system, equal to one thousandth of a meter
"nm"	nanometre, a unit of length in the metric system, equal to one billionth of a meter
"OHSAS 18000"	an internationally recognised specification for Occupational Health and Safety Management Systems. It specifies requirements for an occupational health and safety management system to enable an organisation develop and implement a policy and objectives which take into account legal requirements and information about occupational risks and to improve their occupational safety and health performance
"PDLC"	polymer dispersed liquid crystal, a relatively new class of materials that have various applications including switchable windows and projection displays
"PET film"	polyethylene terephthalate film, commonly known as polyester film, a film with a clear, strong, and lightweight plastic
"PVB"	polyvinyl butyral, used in films and sheets, paints and coatings, and adhesives to enhance their physical and chemical characteristics
"rewinding"	a process to rewind films
"RoHS"	Restriction of Hazardous Substances Directive adopted by the European Union, which restricts the use of certain hazardous materials in the manufacture of various types of electronic and electrical equipment
"scanning electron microscope (SEM) microscope"	a type of electron microscope that produces image of a sample by scanning it with a focused beam of electrons

"Smart Light-adjusting Film"	PDLC embedded film, also known as switchable film or switchable privacy film, is a translucent white glazing film when connected to power that can be switched into transparent film instantly by switching off the power
"Smart Light-adjusting Glass"	Smart Light-adjusting Film embedded glass, also known as switchable glass or switchable privacy glass, is a translucent white glazing glass when connected to power that can be switched into transparent glass instantly by switching off the power
"Smart Light-adjusting Products"	collectively Smart Light-adjusting Film and Smart Light-adjusting Glass
"Smart Light-adjusting Projection System"	a system combining the use of ultra-short throw laser projector(s) and a projection screen using Smart Light-adjusting Products serving the purpose of outdoor display, projection display or projection television set
"temperature chamber"	an enclosure used to test the effects of specified thermal conditions on industrial products, materials, and electronic devices and components
"touch-screen"	a screen which is also an input device that is operated by touching it
"ultra-short throw laser projector"	a laser projector which allows users to create big pictures in tight spaces, without concerns about shadows obstructing the image or light shining in the presenter's face. Such projector has very short throw ratios, the distance from project or to screen compared to the screen size
"UV"	ultraviolet radiation, part of the electromagnetic spectrum emitted by the sun with a wavelength from 10nm to 380nm, shorter than that of visible light but longer than that of X-rays
"UV curing"	a speed curing process in which high intensity ultraviolet light is used to create a photochemical reaction that instantly cures inks, adhesives and coatings
"vacuum roll-to-roll ITO sputtering machine"	a machine that performs magnetron sputtering ITO materials onto PET film on a roll of flexible plastic or metal foil

This prospectus includes forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including, without limitation, those regarding our future financial position, our strategies, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "believe", "expect", "aim", "intend", "project", "will", "may", "plan", "consider", "anticipate", "seek", "should", "would" or similar expressions or the negative thereof, are forward-looking statements.

These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- future development, trends and conditions in the industry and markets in which we operate
- expansion, consolidation or other trends in the industry in which we operate
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or price, including those pertaining to the PRC and the industry and market in which we operate
- changes in the global economic conditions and material volatility in the global financial markets
- capital market developments
- general political and economic conditions in the PRC and other relevant jurisdictions in which we have or intend to have business operations
- macroeconomic measures taken by the PRC government to manage economic growth
- our business prospects
- the competition for our business activities and the actions and development of our competitors

- our financial condition and performance
- changes to our expansion plans and use of capital expenditures
- our ability to successfully implement and realise the benefits of our business plan and strategies
- other factors beyond our control

We believe that the sources of information and assumptions contained in these forward-looking statements are appropriate sources for these statements and have taken reasonable care in extracting and reproducing such information and assumptions. We have no reason to believe that information and assumptions contained in these forward-looking statements are fake or misleading or that any fact has been omitted that would render such forward-looking statements fake or misleading in any material respect.

The information and assumptions contained in the forward-looking statements have not been independently verified by us, the Controlling Shareholders, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any other party involved in the Share Offer or their respective directors, officers, employees, advisers or agents and no representation is given as to the accuracy or completeness of such information or assumptions on which the forward-looking statements are made. Additional factors that could cause actual performance or achievements of our Group to differ materially include, but are not limited to those discussed under the section headed "Risk factors" and elsewhere in this prospectus.

These forward-looking statements are based on current plans and estimates, and apply only as of the date they are made. Subject to the requirements of the GEM Listing Rules, we do not intend to publicly update or revise any forward-looking statements contained in this prospectus, whether as a result of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way our Company expects, or at all.

We caution you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statement. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified with reference to cautionary statements set out in this section.

In this prospectus, statement of or references to our Group's intentions or those of any of the Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in the Offer Shares. You should pay particular attention to the fact that our business is, to a significant extent, located in the PRC, and we are governed by a legal and regulatory environment which in some respects differs from that which prevails in other countries. Our business, financial condition or results of operations could be materially and adversely affected by any of the risks and uncertainties described below. Additional risks and uncertainties not presently known to us, or not expressed or implied below, or that we deem immaterial, could also harm our business, financial condition and results of operations. The trading prices of the Shares could decline due to any of these risks and uncertainties, and you may lose all or part of your investment.

Our Group believes that there are certain risks and uncertainties involved in its operations, some of which are beyond our Group's control. Our Group has categorised these risks and uncertainties into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to operations in the PRC; (iv) risks relating to the Share Offer; and (v) risks relating to this prospectus.

RISKS RELATING TO OUR BUSINESS

Competition in the ITO film and Smart Light-adjusting Products industry could materially and adversely affect our financial performance

ITO film market

In recent years, the ITO film industry in the PRC has experienced rapid growth with the number of market participants exceeding 350. However, key production technologies, manufacturing facilities as well as market share have remained dominated by few market participants (with the top three market participants accounting for over 50% of the total market size). It is expected that more dominant players may expand and consolidate their market share through mergers and acquisitions as well as development of product lines. While our Group accounted for only 2.1% of the ITO film market in the year ended 31 December 2015, in the future we will have to compete with more dominant players not only in terms of pricing and customer base, but also when sourcing upstream products. In particular, according to the F&S Report, the ITO film market in the PRC is currently still dependent on the import of core production materials such as high-grade ITO Targets and PET substrate. We may face increased competition for such materials (which may increase our production costs) and there is no guarantee that we will be able to procure sufficient materials for our production needs.

Smart Light-adjusting Products market

In the Smart Light-adjusting Products market, we face competition from other large domestic PRC manufacturers with substantial market share as well as new entrants to the market. The F&S Report noted that there has been a rapid increase in the number of high-end downstream users of Smart Light-adjusting Products (such as media companies and luxury hotels) given the increasingly broad applications of these products. This has led to pressure on suppliers to cope with demand through mass production, leading to the lowering of production costs as well as increasing price competition. Furthermore, the lack of industry standards and regulations in the PRC relating to "energy-saving" products may lead to the production of inferior and low-quality products which could also result in increased price competition.

Other than pricing, we may also need to compete from the technological perspective (for example in terms of the design and customisation of our products and our user interface and development of control systems) in order to satisfy different customer needs. According to the F&S Report, future profitability will largely be determined by a company's ability to offer product customisation and optimisation.

Our success will depend on our ability to cope with these forms of competition. Furthermore, some of our competitors have large customer bases, established brand recognition in significant regional markets, and possess comparable or in some cases greater financial, marketing and technological and personnel resources than us. In addition, some of our competitors may be able to use profits from their other operations to subsidise losses in their businesses with which we compete. These advantages over us may enable them to, among other things; (i) develop products which are similar or more attractive than ours; (ii) achieve production cost reductions and produce similar products that are less expensive than ours which will enable them to increase their market share; and/or (iii) market, promote and sell their products more effectively and develop stronger relationships with customers.

Furthermore, our success will depend on our ability to assess the market and technology trends, anticipate market developments and direct our efforts to relevant product development projects as well as proactively adapt to changes in market conditions in order to retain our existing customers vis-à-vis our competitors. Our failure to (i) keep up with our competitors in developing new or emerging technologies; (ii) adapt to changes in customer preferences; and/or (iii) improve our product quality and/or product range, may materially and adversely affect our market position. The unavailability and insufficiency of capital for product development projects and our employee's inexperience in certain areas could also affect our research and development plans.

We cannot assure you that our current or potential competitors will not produce the same, similar or superior products at the same or at lower prices than the prices we charge for our products. In addition, we may face certain downward pricing pressure as a result of possible price competition by competitors seeking to stimulate demand in order to maintain or increase market share.

Our inability to remain competitive in the markets in which we operate could cause a reduction in our market share or the sales price of our products, which could materially and adversely affect our profitability. Such competition could materially and adversely affect our results of operations and business prospects.

Any increase in the cost of raw materials or our inability to procure raw materials at satisfactory prices may adversely affect our profitability

The cost of raw materials (including without limitation, ITO Targets, PET films, glass and PDLC material) accounted for a substantial proportion of our total expenses. For the three years ended 31 December 2014, 2015 and 2016 respectively, the cost of raw materials accounted for approximately 84.3%, 84.6% and 84.8% of our total cost of sales. These raw materials were purchased from suppliers with whom we have not entered into any long-term supply contracts.

Our operating results may be significantly affected by the cost of raw materials, some of which are subject to fluctuations due to market conditions (such as increase in demand or shortage in supply). As at the Latest Practicable Date, we did not have any hedging arrangements against fluctuations in prices of raw materials. If the price of raw materials increases and we are unable to pass on the added costs efficiently or adequately to our customers, our cost base may increase, which may materially and adversely affect our results of operations and financial conditions.

Furthermore, there is no guarantee that we will be able to secure supply of raw materials from existing suppliers (including those which may be critical to our production process) at acceptable prices on an ongoing basis. Supply may be affected and/or disrupted by factors beyond our supplier's control. In the event of a shortage or disruption of supply from existing suppliers, we may not be able to procure adequate raw materials from alternate sources at acceptable prices in a timely manner. This will affect our production and supply of products and materially and adversely affect our Group's business and operations.

We recorded a net operating cash outflow for the year ended 31 December 2016 and may have difficulty meeting our payment obligations if we continue to record net operating cash outflow in the future

Over the Track Record Period, our Group recorded a net operating cash outflow in the amount of approximately RMB12.8 million for the year ended 31 December 2016, consisting primarily of RMB14.9 million of cash generated from operations before working capital adjustments and net working capital adjustments of RMB25.6 million. Please refer to the paragraphs headed "Liquidity and capital resources – Cash flow – Operating activities" in the "Financial information" section of this prospectus for detailed analysis of the decrease.

We cannot guarantee that prospective business activities of our Group and/or other matter beyond our control (such as market competition and changes to the macroeconomic environment) will not adversely affect our operating cash flow and lead to net operating cash outflows in the future.

If we face a net operating cash outflow in the future, (i) we may not have sufficient working capital to cover our operating costs and we may have to fund our operating costs by obtaining bank borrowings. There is however no assurance that we will succeed in obtaining bank borrowings at terms favourable to us and we may incur significant finance costs for any such bank borrowings; and (ii) our liquidity may be adversely affected and we may not be able to meet the payment obligations, such as our trade payables. This may materially and adversely affect our business, financial position and results of operations.

We may be exposed to delays and/or defaults on payments from our customers, while remaining subject to satisfying payment obligations to our suppliers, which would materially and adversely affect our cash flows and/or financial results

Our financial position and profitability may be materially affected by the creditworthiness of our customers. Over the Track Record Period, our trading terms with our third party customers were mainly on credit, and are generally grant a credit term ranging from one to three months to our major customers. Longer periods may also be available to certain customers depending on their business nature and length of business relationship with us. For the three years ended 31 December 2014, 2015 and 2016, our Group had trade and bills receivables turnover days of approximately 195.7 days, 160.1 days and 170.7 days respectively. Moreover, we typically arrange our payment within approximately 90 days. For the years ended 31 December 2014, 2015 and 2016, our trade payable turnover days were approximately 76.2 days, 106.6 days and 122.3 days respectively.

Should we experience any delays or difficulties in collecting payments from our customers and/or trade receivables from our customers, while remaining obligated to satisfy our ongoing payment obligations to our suppliers, we may be required to consider alternative sources of financing and/or delay our payment obligations, and our cash flow, financial condition and results of operations may be materially affected.

Any failure to protect our intellectual property rights could potentially harm our business and competitive position

Our Directors believe that the protection of our technical and proprietary know-how (including self-developed production techniques, technology and methods, new material composition formulas, blue-prints, designs as well as other core intellectual property know-how) is crucial to our success as we operate in a sector where technological innovation and technical skills and capabilities are vital for suppliers to remain competitive, especially in light of evolving customer demands.

As of the Latest Practicable Date, we have registered 32 patents in the PRC and five applications for patent registrations are pending. These patents relate to proprietary know-how in connection with various materials, processes, systems and equipment concerning our production of ITO film and Smart Light-adjusting Products. Seeking patent protection can take a long time and be expensive and we cannot assure you that patent applications will result in patents being issued or that our existing or future issued patents will be sufficient to provide us with meaningful protection or commercial advantage. Our patents and pending patent applications may be challenged, invalidated or circumvented. Our current or potential competitors, many of which have substantial resources and have made substantial investments in competing technologies, may have, and may develop products that compete directly with our products despite our intellectual property rights. Further, implementation and enforcement of PRC intellectual property-related laws have historically been deficient and ineffective, mainly due to the lack of procedural rules for discovery of evidence, low damage awards and low rates of criminal penalties against intellectual property rights infringements. Accordingly, protection of intellectual property rights in the PRC may not be as effective as other Western countries, in particular, in overseas market in which we intend to expand our presence. Furthermore, the policing of unauthorised use of proprietary technology is difficult and expensive, and we may need to commence and become involved in expensive and lengthy legal proceedings to enforce or defend patents issued to us or determine the enforceability, scope and validity of our proprietary rights or those of others. The experience and capabilities of different courts in the PRC in handling intellectual property related matters vary, and outcomes are unpredictable. Such litigation and an adverse determination in such proceedings, if any, could result in incurrence of substantial costs and diversion of resources and management attention, which could harm our business, reputation and competitive position.

In addition to our registered patents or the pending patent applications, we possess other highly commercial and sensitive know-how which we do not register with intellectual property offices in the PRC or elsewhere as our Directors believe that it would be prudent not to register such proprietary know-how with public authorities and/or agencies to minimise the risk of leakage in light of the difficulty in policing and enforcing intellectual property rights in the PRC. We have implemented various measures to safeguard these unregistered know-how and to reduce the risk of leakage as set out in the section headed "Business — Intellectual property" of this prospectus. However, there is no assurance that such measures will be sufficient to protect our intellectual property rights, trade secrets and know-how effectively.

If our core intellectual property and know-how (whether protected by patent or otherwise) are infringed on or leaked to our competitors, our competitiveness and market position may be materially weakened, which may in turn have a material adverse affect on our sales and financial performance.

We may be exposed to intellectual property infringement and/or other claims by third parties that, if successful, could disrupt our business and materially affect our financial condition and results of operations

Our success depends, to a certain extent, on our ability to use our technology and know-how without infringing third-party intellectual property rights. As we aim to gradually increase our market presence in overseas markets (please refer to the section "Business — Our business strategies — Expanding presence in overseas markets" in this prospectus), we face an increased risk of being the subject of intellectual property infringement claims, invalidity or indemnification relating to third parties' proprietary rights, especially where similar technical know-how are registered in the relevant target markets. Furthermore our current or potential competitors, many of which have substantial resources and may have made substantial investments in competing technologies, may have or may obtain patents that will prevent, limit or interfere with our ability to make or sell our products in the PRC and overseas.

The validity and scope of claims concerning technologies relating to the manufacturing of ITO film, Smart Light-adjusting Products and Smart Light-adjusting Projection System may involve complex scientific, legal and factual questions and analysis and, as a result, the determination of such claims may be highly uncertain. In addition, the defence of intellectual property suits, including patent infringement suits, and related legal and administrative proceedings can be costly and time-consuming and may significantly divert the efforts and resources of our technical and management personnel. Furthermore, an adverse determination in any such litigation or proceedings to which we become a party could result in our having to pay damages, seek licenses from third parties, pay ongoing royalties for use, redesign our products or become subject to injunctions, each of which could prevent us from carrying on some or all of our business, which could results in our customers or potential customers deferring or limiting their purchase or use of our products. This could materially adversely affect our business, financial condition and results of operations.

Our business depends significantly on the strength of our brand and reputation and any failure to maintain and enhance our brand and reputation may materially adversely affect the level of market recognition of, and trust in, our products

Our Directors consider that our brand and reputation are critical to the success of our products and believe that our brand is recognised among our customers in terms of quality and reliability, allowing us to establish our Group as a leading producer of Smart Light-adjusting Products and Smart Light-adjusting Projection System in terms of market share in the PRC. Our ability to develop, maintain and enhance the image and recognition of our brand will depend largely on our ability to serve our customers satisfactorily. In particular, our brand, reputation and product sales could be materially and adversely affected if:

- our products contain defects, faults or fail;
- our products do not meet the expectations or requirements of our customers;
- our customer services including our after after-sales services are considered ineffective and unsatisfactory by our customers;
- we fail to deliver our products on time;
- we are subject to product liability claims; or
- we are subject to significant product recalls.

The failure to protect our brand and/or reputation may lead to reduction in customer orders which may materially and adversely affect our business and results of operations.

Our inability to attract and retain key personnel may materially and adversely affect our business

Our Directors believe our success is substantially dependent on the experience, insight and skills of our Directors and senior management team who have obtained qualifications relevant to, and experience in, product development and applications as well as the glass manufacturing. In particular, we are highly dependent on (i) Mr. Sun, our executive Director and chief executive officer of our Company, to oversee the operations of our Group; (ii) Mr. Liu, our Chairman, for formulation and execution of our overall business strategies; (iii) our senior management team, to achieve our business objectives; and (iv) our research and development and sales staff for our operations.

We do not maintain key man insurance. If we lose the services of any key member of senior management or staff in the event of their retirement, resignation or for any other reason, we may not be able to find suitable or qualified replacements, and may incur additional expenses to recruit and train new personnel, which could severely disrupt our business and growth. As we expect to expand our operations overseas, we will need to attract and retain experienced staff with experience in international operations. It may be difficult to recruit suitable qualified staff with sufficient knowledge of our products and expertise, and we may have to pay increased compensation to attract and retain the experienced personnel required to achieve our business objectives and failure to do so could materially disrupt our business and growth.

Our Group relies heavily on our production facilities and machinery and our operations may be materially disrupted if they fail to function properly or at all

The manufacturing of our products and our ability to meet customer demands rely heavily on the proper functioning of our production facilities and machinery (for example, the vacuum roll-to-roll ITO sputtering machines for the production of ITO film which are then used as a key material for our downstream products).

If the use or efficiency of our production facilities and/or machinery is hampered or disrupted due to power shortages or breakdowns or if our these production facilities are damaged due to accident, fire or other natural disasters, our ability to produce and deliver products in a timely manner may be materially prejudiced. This may also adversely affect the financial position of our Group to the extent not fully recoverable from our insurance policies.

Furthermore, even where we have sufficient resources, suitable replacements of relevant machinery may not be readily available in the market as our existing production facilities are tailored to our production needs. Therefore, any disruptions affecting our production facilities may lead to delays in fulfilling contract obligations and our business, reputation and profitability could be materially adversely affected.

Our Group relies on a single production base to manufacture our products and therefore any disruption at the production base could materially and adversely affect our business and operations

Our Group currently carries out our entire production process at a single production base situated at Levels 1 and 2 of Factory Building No. 7 of Zhuhai Xingye New Energy and Industrial Park, 9 Jinzhu Road, Gaoxin district, Zhuhai city, Guangdong province of the PRC which is leased from a subsidiary of Singyes Solar, one of our Controlling Shareholder.

Any disruptions to our use or occupation of our production base for whatsoever reasons (including damage caused by floods, fires, earthquakes, typhoons and other natural disasters or matters outside our control) may affect our ability to produce and deliver products to our customers on a timely manner and/or in accordance with the terms of agreements entered into with our customers. Such disruptions will materially and adversely affect our business and operations as well as our profitability and financial results (as efforts to restore operations following a disruption may be costly and time-consuming).

In addition, there are certain types of losses, such as losses from war, acts of terrorism, earthquakes, typhoons, flooding and other natural disasters for which, in the opinion of our Directors, cannot be insured against at a reasonable cost or at all. As a result of a disruption at to any of our facilities, our operation, revenue and profitability could be materially and adversely affected.

We materially rely on a single geographical market for our sales and any adverse economic, social and/or political conditions affecting the market may materially and adversely affect our business

As at the Latest Practicable Date, the business operations of our Group are materially based in the PRC and our customers were primarily domestic PRC customers. For each of the three years ended 31 December 2014, 2015 and 2016, over 95% of our Group's revenue was derived from sales to customers in the PRC. Our production facility is also located in the PRC.

Our business operations and the demand for our products are therefore exposed to any deterioration in the economic, social and/or political conditions as well as changes in the relevant government policies in the PRC. In the event of any adverse changes in the economic and social conditions or government policies in the PRC, our financial position and performance may be materially and adversely affected if we are unable to divert our business to other regions,.

We rely on major suppliers for the supply of raw materials of a satisfactory quality and their failure to supply us or our failure to procure raw materials of the requisite quality standard or at acceptable prices could materially and adversely affect our operations and financial results.

For the years ended 31 December 2014, 2015 and 2016, procurement from our five largest suppliers in aggregate accounted for approximately 69.0%, 59.7% and 34.6%, respectively, of our total purchases, and the procurement from our largest supplier accounted for approximately 33.2%, 25.9% and 8.3%, respectively, of our total purchases. In addition to our major suppliers, we also rely on our supplier of ultra-short throw laser projectors for the production of our Smart Light-adjusting Projection Systems.

If any of our major or other suppliers fails to meet our purchase orders on a timely basis, refuses to offer us commercial acceptable terms or fails to supply us with production materials of the quality that we require or terminates its business with us, then we may not be able to source production materials from alternative suppliers on a timely basis and/or on commercially acceptable terms and our business, financial condition and results of operations may be materially and adversely affected.

We have not entered into any long term purchasing agreement with our largest supplier or other major suppliers and there is no assurance that there will be no deterioration in our relationship with our major suppliers and that they will continue to supply raw materials we require with the requisite quality standard on commercially reasonable terms. Further, we cannot assure you that we will be able to find suitable alternative suppliers within a short period of time, and as such, any shortage of or delay in the supply of raw materials we require may materially and adversely affect our operation and financial performance.

We have had certain compliance irregularities which may result in the commencement of enforcement proceedings against us

According to the PRC Social Insurance Law and the Notice on Regulating Social Insurance Payment Basis Related Issues, our Group is required to make an employee's contribution to employees' social insurance based on the employee's actual total remuneration over a certain period of time. According to the Housing Provident Fund Management Regulations and the Guidance on the Problems of the Management of Housing Provident Fund, we are required make an employee's contribution to employees' housing provident fund based on the employee's monthly average salary in the immediately preceding year. However, we have only co-contributed housing contribution and the social security contribution for our employees on the basis of the minimum remuneration base (rather than actual remuneration paid) as required by local competent departments.

We cannot assure you that the relevant PRC authorities will not take any enforcement action against our Company. In the event that enforcement action is taken (i) our Group may be required to pay the unpaid social security contribution within a prescribed time limit, failing which a late penalty of 0.05% per day of the unpaid amount and a further fine equivalent to one to three times of the unpaid amount may become payable by our Group; and (ii) our Group may be required to pay the unpaid housing contribution within a prescribed time limit, failing which, the PRC authorities may seek an enforcement order from the People's Court of the PRC.

In the event that we are ordered by the relevant PRC authorities to pay the unpaid social security contribution to our employees, our financial condition and reputation may be adversely affected.

Our tax burden may increase as a result of loss or suspension of high-tech enterprise accreditation or changes in tax policies of the PRC government

Singyes Applicable Materials, our operating subsidiary, has been recognised and accredited as a high-tech enterprise in the PRC and is therefore entitled, under current PRC government policies which encourage technological innovations, to a preferential enterprise income tax rate of 15% (compared to the statutory enterprise income tax rate of 25%) for a period of three years from 1 January 2015 to 31 December 2017. Upon expiry of such accreditation, we will be required to reapply for such recognition and we will only continue to be accredited if we are able to pass the required assessments.

The loss or suspension of the new high-tech enterprise accreditation and/or any adverse adjustment of the relevant tax policies or regulations that the PRC government may introduce from time to time may significantly increase the tax rate on our revenues, thereby materially and adversely affecting our business, financial position, results of operations and prospects.

Our insurance coverage may not be adequate to cover the risks related to our business and operations

As at the Latest Practicable Date, we maintained cargo transportation insurance to cover damages caused during the delivery of our products to our customers as well as insurance relating to risks in respect of our machinery and equipment. However, we may incur certain losses that cannot be insured against or that our Directors believe it not commercially reasonable to insure against, such as product liability claims from defects in our products, theft, litigation or proceedings, personal injuries to customers caused by defects in our products or losses due to business interruption resulting from natural disasters such as fire, severe weather, earthquake, war, flooding, power outages or other natural disasters, accident or malicious damage to any of our production facilities.

We cannot assure you that we have sufficient insurance coverage, or any insurance coverage at all, to cover losses, damages and liabilities in relation to our business operations. We also cannot assure you that we will be able to renew all or any of our existing insurance coverage. Any uninsured or uncovered loss or damage to property, litigation or business disruption may result in us incurring substantial cost or diverting our resources, which could have a material adverse effect on our results of operations.

Our future plans are subject to uncertainties and risks

Our growth depends on the implementation of our future plans in connection with our business. It is intended that the proceeds from the Share Offer will be used for our business expansion overseas, research and development of new material products and the purchase of new equipment or improvement of production lines. Further information on our future plans is set out in the section headed "Future plans and use of proceeds" of this prospectus.

Whether or not our future plans can be implemented successfully depends on various factors which may be beyond our control. For example, new products developed by us may not receive adequate market acceptance or sales of our products to overseas markets in which we target may not meet our expectations.

There is no assurance or guarantee that our future plans may be implemented successfully. We may also need to incur substantial cost to develop our business in the relevant markets and to hire, train and retain employees who share our business philosophy and culture. If our future plans prove to be unsuccessful, our business, results of operations and prospects may be materially and adversely affected.

In addition, our future plans may place substantial demands on our managerial, operational, technological, financial and other resources. To manage and support our growth, we may need to improve our existing operational and administrative systems, improve our financial and management controls, enhance our ability to recruit, train and retain additional qualified management personnel and other administrative, sales and marketing staff, and continue managing our relationships with our suppliers and customers. All of these endeavours will require substantial attention and time from our management and significant additional expenditures. We cannot assure you that we will be able to manage any future growth effectively and efficiently, and our ability to capitalise on new business opportunities may be materially and adversely affected if we fail to do so, which could in turn materially adversely affect our business, results of operations, financial condition and prospects.

We may be exposed to product liability claims and latent defect liability claims, which could adversely affect our results of operations, financial condition and reputation

We may be subject to product liability claims if the products we sell are found to be defective. We cannot assure you that we will not be subject to any product liability claims or adverse publicity due to deficiencies in our product quality in the future. In circumstances where the materials supplied by our suppliers are defective or faulty, there is no assurance that we are able to make corresponding claims against our suppliers or that any amount recovered from them will be sufficient to cover our exposure to the relevant claims by our customers.

Regardless of the merits or the outcome of these claims, we may be required to address and, if necessary, defend ourselves against such claims, which may divert management attention and other resources from our business and operations. If any product liability claim is brought against us in the future, whether or not the claim is ultimately successful, the negative publicity associated with such claims could adversely affect our reputation. Further, any claim may also result in our incurring legal costs and costs in connection with a product recall campaign or in rectifying any product defects which may not be recoverable, any of which could have an adverse effect on our business, results of operations and financial condition.

We may be adversely affected by a lack of growth in the consumer market or if there is a general market downturn

The continued growth in revenue from our operations is dependent to a material extent on the continuous and sustainable growth in the construction and consumer markets. However, there is no assurance that the local economy of our target markets can sustain such growth. Moreover, if the Chinese economy slows down, it is highly likely that the demand for ITO film, Smart Light-adjusting Products and Smart Light-adjusting Projection Systems may be reduced. Any continued economic slowdown or recession may result in a decrease in demand for our products and may have a material adverse affect on our business results of operations.

Past performance is not necessarily indicative of future performance

The financial information contained in this prospectus is, unless otherwise stated, reflective of our performance over the Track Record Period only. However, our past performance is not necessarily indicative of future results. In particular, our future financial performance may be affected by changing regulations and by changes to the business and economic environment in which we operate, among other factors.

Moreover, our financial and operating results may not meet the expectations of public market analysts or investors, which could cause the future price of the Shares to decline. Our revenue, expenses and operating results may vary from period to period in response to a variety of factors beyond our control. You should not solely rely on our historical results to predict the future performance of our Shares.

RISKS RELATING TO OUR INDUSTRY

We face threats from product alternatives to ITO film

The sale of ITO film contributed significantly to our financial performance over the Track Record Period. For the years ended 31 December 2014, 2015 and 2016, revenues generated from the sale of ITO film amounted to approximately RMB18.2 million, RMB18.4 million and RMB13.7 million of our total sales respectively, representing approximately 40.5%, 30.4% and 15.1% of our total revenue, respectively.

According to the F&S Report, difficulties in producing ITO film for touch screens with properly balanced conductivity and transparency means that there are companies in the global market who are working to develop alternatives to ITO film (such as carbon nanotube films, nanowire-based transparent conductors, metal meshes and conducting polymers). While these alternatives are still in an experimental development stage and are not yet suitable for mass production, the discovery of a substitute or alternative to ITO film would pose a material threat to the ITO industry and may materially and adversely affect our financial performance, results of operations and business prospects.

There is currently relatively low level of acceptance amongst the public for Smart Light-adjusting Products and Smart Light-adjusting Projection Systems

According to the F&S Report, the Smart Light-adjusting Products and Smart Light-adjusting Projection System markets are newly emerging markets in the PRC compared to the rest of the world. At present, PRC consumers have relatively limited knowledge of the performance and application of these products and therefore their use for various applications (including domestic and commercial purposes) is still relatively limited.

As such, the market penetration for our products such as our Smart Light-adjusting Projection System is currently quite low and consumers may view it as an unnecessary luxury rather than a commodity. In contrast, traditional display screens such as LCD television have been in the market for over ten years. LED screen has also been adopted by advertising industry for a long period. Therefore, customers are more aware of their functionality and they have achieved a higher degree of acceptance amongst the public.

In addition, because of the relatively high price of raw materials used in production, Smart Light-adjusting Projection System manufacturers in general fix a relatively high retail price to cover production costs. In the short run, the cost of such product may seem unaffordable for a regular income household. We cannot assure you that there will be a rise in the public acceptance of our products in the near future.

RISKS RELATING TO OPERATIONS IN THE PRC

We may be materially and negatively affected by a weak PRC economy

The demand for our products is heavily dependent on the health of the PRC economy as our current sales are primarily targeted at the domestic PRC market.

In a slowing economy, our customers or the end customers of our products market may become more cautious with their spending. In an economic downturn, some of our customers may downsize their business or cease business operations altogether, in which case, they may not order any of our products.

According to the F&S Report, the per capita nominal GDP growth of the PRC is predicted to slow to a CAGR of 6.8% over the period from 2016 to 2020 compared to a CAGR of 10.6% from 2010 to 2015. A slowdown of the PRC economy may adversely affect the demand for our products, our profitability and financial position, if the businesses of our customers are negatively affected as a result.

Any adverse change in the economic, political and social conditions and government policies of the PRC may affect our business.

We derive a significant majority of our revenue from our operations in the PRC and most of our assets are located in the PRC. Therefore, our results of operations, financial condition and prospects are subject to economic, political and legal developments in the PRC.

The economy of the PRC differs from the economies of more developed countries in many respects, including the extent of government involvement, in the control of foreign exchange and the allocation of resources. While the economy of the PRC has experienced significant growth in the past three decades, growth has been uneven across different regions and economic sectors and there is no assurance that such growth can be sustained. There can be no assurance that the PRC government will pursue certain economic or industrial policies or that the direction of any economic or industry reform will be beneficial to our operations. Demand for our goods and services and our business, financial condition and results of operations may be materially and adversely affected by factors such as political instability or changes in social conditions in the PRC, changes in the rate or method of taxation, measures which may introduced to control inflation, deflation or consumer spending as well as changes in laws, regulations and administrative directives. Further, if the business environment in the PRC deteriorates as a result of any slowdown in its economic growth, our business may be materially adversely affected.

An outbreak of severe communicable disease, extraordinary events such as epidemics, natural disasters, political unrest and terrorist attacks in the PRC may adversely affect our operating results directly or indirectly

The outbreak of any severe communicable disease in the PRC may have an adverse effect on the business sentiment and environment in the PRC, which in turn may have a material adverse impact on domestic consumption and the overall GDP growth of the PRC. Any slowdown in the growth of domestic consumption and the GDP may adversely affect our operations (as our customers may become more cautions with their spending if their business prospects and growth are hampered), which could affect our financial position and future prospects.

Our existing production facilities, are susceptible to epidemics such as Severe Acute Respiratory Syndrome (SARS), avian influenza or swine influenza. Past occurrences of epidemics, depending on their scale of occurrence, have caused different degrees of damage to the national and local economies in various countries and regions. A recurrence of SARS, avian influenza or swine influenza or an outbreak of any other epidemics, especially in the cities where we have operations, may result in material disruptions to our sales, which in turn could materially and adversely affect our financial condition and results of operations.

In addition, if any of our employees is affected by any severe communicable disease outbreak, we may be required to close our production facilities and quarantine the employees that have been suspected of becoming infected, as well as others that have come into contact with those employees to prevent the spread of the disease. We may also be required to disinfect our affected premises, which may also cause a temporary suspension of our manufacturing capacity, thus adversely affecting our operations. In such event, the disruption to our production could affect our financial condition and operational results.

Other extraordinary events, including political unrest, terrorist attacks and natural disasters such as earthquakes, snowstorms and hurricanes, could significantly affect our operations if they occur at or near a location where our production facilities or our suppliers are situated. Such events may cause personnel casualties, loss of inventory, work disruptions and delays and damages to our production facilities. If we are not able to react quickly upon the occurrence of such extraordinary events and our operations are disrupted significantly, and the insurance policies we maintain for the contracts are not adequate to cover all the losses, our business, financial condition and results of operations may be materially and adversely affected.

Uncertainties with respect to the legal system of the PRC could materially adversely affect us

Our operations are mainly governed by the laws and regulations of the PRC.

The PRC government has promulgated laws and regulations over the past 20 years regarding matters such as corporate organisation and governance, issuance and trading of securities, shareholders' rights, foreign investment, commerce, taxation and trade. However, many of these laws and regulations are relatively new and evolving, and are subject to different interpretations and may be inconsistently implemented and enforced as prior court decisions which may be cited for reference can have limited precedential value as they are not binding on subsequent cases. These uncertainties relating to the interpretation, implementation and enforcement of the PRC laws and regulations and a system of jurisprudence that gives only limited precedential value to prior court decisions can affect the legal remedies and protections available to you, and can adversely affect the value of your investment.

Our Company is a holding company and relies on dividend payments from our PRC subsidiary

We are a holding company and rely principally on dividends paid by our PRC operating subsidiary to make dividend payments and other distributions in cash, pay expenses, service any debts incurred, and finance the needs of other subsidiaries. The ability of our PRC subsidiary to pay dividends or other distributions to us may be subject to its earnings, financial positions, cash requirements and availability, applicable laws, rules and regulations, and restrictions on making payments to our Company contained in financing or other agreements. If our PRC subsidiary incurs debt in its own name in the future, the instruments or agreements governing the debt may restrict it from declaring dividends or making other distributions to us, which could in turn restrict our ability to fund our business operations and to pay dividends to our Shareholders. Our Company's future declaration of dividends may not reflect our historical declarations of dividends and will be at the absolute discretion of our Board.

Furthermore, applicable PRC laws, rules and regulations permit payment of dividends by our PRC subsidiary only out of its accumulated retained earnings, if any, determined in accordance with PRC accounting standards. Our PRC subsidiary is required to set aside a certain percentage of its after tax profits based on PRC accounting standards as statutory reserves in accordance with the requirements of relevant PRC laws and provisions in its articles of associations. As a result, our PRC subsidiary may be restricted in its ability to transfer a portion of its net income to us whether in the form of dividends, loans or advances. These restrictions and requirements could reduce the amount of distributions that we receive from our subsidiaries, which would restrict our ability to fund our operations, generate income, pay dividends and service our indebtedness. Moreover, these limitations on the flow of funds between and amongst us and our PRC subsidiary could restrict our ability to respond to changing market conditions or appropriately allocate funds to our PRC subsidiary in a timely manner, or at all.

Changes in PRC government policy on foreign investment in China may adversely affect our business and results of operations

According to the latest version of the 外商投資產業指導目錄 (Foreign Investment Catalogue*), which became effective on 10 April 2015, our business does not fall within the prohibited or the restricted category of business.

However, as the Foreign Investment Catalogue may be updated from time to time, there can be no assurance that the PRC government will not change its policies in a manner that would render part or all of our business to fall within the restricted or prohibited categories. If we cannot obtain approval from relevant approval authorities to engage in a business which become prohibited or restricted for foreign investors, we may be forced to sell or restructure our business which have become restricted or prohibited for foreign investment. If we are forced to adjust our corporate structure or business as a result of changes in government policy on foreign investment, our business, financial condition and results of operations may be adversely affected.

We may be classified as a "resident enterprise" for PRC enterprise income tax purposes, which could result in unfavourable tax consequences to us and our non-PRC shareholders

The EIT Law provides that enterprises established outside China whose "de facto management bodies" are located in China are considered "resident enterprises" and are generally subject to a uniform 25% enterprise income tax rate on their worldwide income. In addition, the SAT issued the Notice on Issues Relating to the 國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知 (Determination of Chinese-Controlled Offshore Enterprises as PRC Resident Enterprises by Applying the "De Facto Management Body" Test*), or the SAT Circular 82, on 22 April 2009 which came into effect on 1 January 2008.

The SAT Circular 82 classifies certain Chinese-invested enterprises controlled by Chinese enterprises or Chinese group enterprises and established outside China as "resident enterprises" and clarifies that dividends and other equity investment income paid by such "resident enterprises" will be considered as PRC source income, subject to PRC withholding tax, currently at a rate of 10%, when recognised by non-PRC enterprise shareholders. The SAT Circular 82 also subjects such "resident enterprises" to various other criteria in their dealings with the PRC tax authorities. Under the implementation regulations to the enterprise income tax, a "de facto management body" is defined as a body that has material and overall management and control over the business operations, personnel and human resources, finances and properties of an enterprise. In addition, the SAT Circular 82 sets out four criteria for determining whether "de facto management bodies" are located in China for overseas incorporated, domestically controlled enterprises, namely, (1) whether the place where the senior management in charge of the daily operations and senior management departments perform their duties are located in China, (2) whether decisions or authorising departments regarding financial management and human resources are in China, (3) whether primary assets, accounting books, seals, records and files of shareholders' meetings and board of directors are in China, and (4) whether directors or senior management with 50% or more voting rights habitually reside in China (the "**Four Criteria**").

Enterprises will be considered as "resident enterprises" if the Four Criteria are concurrently fulfilled. However, as this circular only applies to enterprises established outside of China that are controlled by PRC enterprises or groups of PRC enterprises, it remains unclear how the tax authorities will determine the location of "de facto management bodies" for overseas incorporated enterprises that are controlled by individual PRC residents like us and some of our subsidiaries. Therefore, although substantially all of our management is currently located in the PRC, it remains unclear whether the PRC tax authorities would require or permit our overseas registered entities to be treated as PRC resident enterprises.

We do not believe that our Company, or our Hong Kong subsidiary, namely, Singyes HK should be deemed to be a "resident enterprise" as each of our offshore holding entities is a company incorporated outside the PRC. As holding companies, each of these entities' seals, records and files of the board and shareholders' meetings are located and kept outside China. Therefore, we consider that our Company, and Hong Kong subsidiary do not fulfil one of the Four Criteria set forth by the SAT Circular 82. As such, we do not currently consider our Company and Hong Kong subsidiary to be PRC resident enterprises.

However, if the PRC tax authorities disagree with our assessment and determine that we are a "resident enterprise", we may be subject to enterprise income tax at a rate of 25% on our worldwide income and dividends paid by us to our non-PRC shareholders as well as capital gains recognised by them with respect to the sale of our Shares may be subject to a PRC withholding tax. This will have an impact on our effective tax rate, a material adverse effect on our net income and results of operations, and may require us to withhold tax on our non-PRC shareholders.

SAFE regulations may limit our ability to finance any of our PRC subsidiary effectively and affect the value of your investment and may make it more difficult for us to pursue growth through acquisitions

If we finance Singyes Applicable Materials, our operating subsidiary, through overseas shareholder loans or additional capital contributions, registration with and/or approval of PRC governmental authorities will be required. Any overseas shareholder loans to our PRC subsidiaries must be registered with the local branch of SAFE as a procedural matter and such loans cannot exceed the difference between the total amount of investment our PRC subsidiaries are approved to make under the relevant PRC laws and their respective registered capital. In addition, the amounts of the capital contributions are subject to the approval of the MOFCOM or its local counterpart.

On 30 March 2015, SAFE promulgated the《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》(Reforming of the Management Method of the Settlement of Foreign Currency Capital of Foreign-Invested Enterprises*), or SAFE Circular 19, which became effective on 1 June 2015. Under SAFE Circular 19, a foreign-invested enterprise may also choose converting its registered capital from foreign currency to RMB on a discretionary basis, but shall not use such converted registered capital to provide entrusted loans or repay loans between non-financial enterprises. A foreign-invested enterprise with equity investments as its main business can use the RMB capital converted for equity investments within the PRC. General foreign-invested enterprises, other than ones mentioned above, can make domestic equity investment with the capital in foreign currencies or the capital obtained from foreign exchange settlement within the PRC.

We cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, or at all, with respect to future loans or capital contributions by us to any PRC subsidiary. If we fail to complete such registrations or obtain such approvals, our ability to contribute additional capital to fund our PRC operations may be negatively affected, which could adversely and materially affect our liquidity and our ability to fund and expand our business.

Failure to comply with workplace safety regulations in the PRC may result in the imposition to penalties or fines on our Group and may adversely affect our reputation and business operation

Our operations are subject to applicable workplace health and safety, fire safety, fire prevention laws and other regulations. The PRC government may adopt a more stringent enforcement approach or promulgate more stringent laws and regulations. As such, we may need to allocate more capital expenditure in order to ensure compliance with the relevant laws and regulations. If we fail to comply with such laws or regulations, we may be required to take corrective actions, or pay penalties or fines. Any of these factors may have a material adverse effect on our business operations and results.

You may experience difficulties in effecting service of legal process or enforcing foreign judgments against our management.

A majority of our Directors and senior management reside in the PRC and substantially all of their assets are located in the PRC. It may be difficult for investors to effect service of process upon those persons residing in the PRC or to enforce against them in the PRC any judgments obtained from non-PRC courts.

On 14 July 2006, the Supreme People's Court of the PRC and the Government of Hong Kong signed an Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters. Under this arrangement, where any designated People's Court or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement, any party concerned may apply to the relevant People's Court of the PRC or the Hong Kong court for recognition and enforcement of the judgment. Although the arrangement became effective on 1 August 2008, the outcome and effectiveness of any action brought under the arrangement remains uncertain.

RISK RELATING TO THE SHARE OFFER

An active trading market may not develop

Prior to the Share Offer, there has not been a public market for our Shares. The Offer Price for the Offer Shares was the result of negotiations among our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters). The Offer Price may differ significantly from the market price for the Shares following the Share Offer. Furthermore, there is no assurance that an active or liquid public market for our Shares will develop or be sustained if developed. An investor who purchases our Shares in the Share Offer may not be able to resell such Shares at or above the initial Offer Price. The market price of our Shares may decline below the initial Offer Price.

There has been no prior public market for our Shares, and the liquidity, market price and trading volume of the Shares may be volatile which may result in substantial losses for investors purchasing our Shares in Share Offer

The market price of our Shares and trading volume of our Shares may be volatile. The market price and trading volume of our Shares may fluctuate significantly and rapidly as a result of the following factors, some of which are beyond our control:

- the variations in our revenue, earnings, results of operations and cash flows;
- announcement by us of joint ventures, significant acquisitions and strategic alliances;
- regulatory developments affecting our Group or its operations;
- industrial accidents suffered by, or involving employees of, our Group;
- involvement of our Group in litigation and proceedings;
- addition or departure of key personnel;

- general economic and stock market conditions; and
- changes in securities analyst' estimates of our financial performance.

There is no assurance that such developments will or will not occur and it is difficult to quantify the impact on our Group and on the trading volume and market price of the Shares. In addition, the Stock Exchange has from time to time experienced significant price and volume fluctuations that have affected the market prices for the securities of companies quoted on the Stock Exchange but which were unrelated or did not fully correspond to the operating performance of related companies. They could also be adversely affected by factors beyond our control and unrelated to our business performance such as a downturn in the global and PRC economy.

Risk of dilution of the Shareholders' equity interests

In the future, we may need to raise additional funds in the future to finance acquisitions, expansion or new developments of our business. If funds are raised through the issue of new equity and equity-linked securities of our Company other than on a pro-rata basis to the existing Shareholders, Shareholders may experience dilution in their percentage shareholdings in our Company. Furthermore, it is also possible that such new securities may have preferred rights, options or pre-emptive rights that render them more valuable than or senior to the Shares.

The interests of our Controlling Shareholder may not be aligned with the interests of our other Shareholders

Immediately upon the completion of the Capitalisation Issue and Share Offer (assuming no exercise of the Offer Size Adjustment Option), our Controlling Shareholders will be interested in the aggregate, directly and indirectly, 67.6% of our entire issued share capital. These Controlling Shareholders, acting singly or collectively with other Shareholders, may have the ability to exercise significant influence over our business, including matters relating to (i) our management, especially in the composition of our senior management; (ii) our business strategies and plans; (iii) distribution of dividends; and/or (iv) plans relating to major corporate activities, such as strategic investments, mergers and acquisitions, joint ventures, investments and divestitures. Our Controlling Shareholders may take action that are not in our or our other Shareholders' interests as a whole.

We do not currently have a dividend policy and the declaration of dividends is at the discretion of our Directors

Our Group did not declare or pay any dividends during the Track Record Period. As such, there is no reference or basis to determine the level of dividends that may be declared and paid to our Shareholders after the Listing.

After the completion of the Share Offer, our Shareholders will be entitled to receive dividends only when declared by our Directors. Our Company does not have any pre-determined dividend policy or dividend distribution ratio. The payment and the amount of any future dividends will be at the discretion of our Directors, and will depend on our future operations and earnings, capital requirements and surplus, cash flow, future prospects, general financial condition and other factors that our Directors may consider relevant. As these factors and the payment of dividends are at the discretion of our Board (which reserves the right to change its plan in relation to payment of dividends from time to time), there can be no assurance that any particular dividend amount, or any dividend at all, will be declared or paid in the future. Further, any dividend distribution is subject to our compliance with requirements under the Companies Act and the provisions of our Memorandum of Association and Bye-laws. Further, we may not have sufficient profits to enable us to make dividend distributions to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable.

Risk of future sales of Shares by existing Shareholders

Future sales of a substantial number of our Shares by our existing Shareholders, or the possibility of such sales, could negatively impact the market price of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate.

There is no guarantee that the Substantial Shareholders or Controlling Shareholders will not dispose of the Shares held by them after the lock-up period applicable to them, the effect of which, if any, on the market price of the Shares cannot be predicted. The Shares held by our Controlling Shareholders and pre-IPO investors (including Raton Race and Kunlun Holdings), are subject to certain lock-up periods beginning on the date on which trading in our Shares commences on the Stock Exchange, details of which are set out in the sections headed ''Relationship with Controlling Shareholders — Non-disposal undertaking'' and ''Underwriting'' of this prospectus.

It is also possible that there may be a sale of a substantial amount of Shares by any of the Substantial Shareholders or Controlling Shareholders or the perception that these sales may occur, which may materially and adversely affect the prevailing market price of the Shares.

RISKS RELATING TO THIS PROSPECTUS

Risk of accuracy and completeness of statistics and facts

This prospectus contains certain statistics and facts that have been extracted from government official sources and publications or other sources. We believe that these sources are appropriate for such statistics and facts and have taken reasonable care in extracting and reproducing such statistics and facts. We have no reason to believe that such statistics and facts are false or misleading or that any fact has been omitted that would render such statistics and facts false or misleading. These statistics and facts have not yet been independently verified by us, the Sole Sponsor, the Joint Lead Managers, the Underwriters, any of their respective directors or any other party involved in the Share Offer and therefore, we make no representation as to the accuracy or completeness of these statistics and facts, as such these statistics and facts should not be unduly relied upon.

Investors should read the entire prospectus carefully and should not consider any particular statements in this prospectus or in published media reports without carefully considering the risks and other information contained in this prospectus

There may have been coverage in the media regarding the Share Offer and our operations. We do not accept any responsibility for the accuracy or completeness of the information and make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. To the extent that any of the information in the media is inconsistent or conflicts with the information contained in this prospectus, we disclaim it. Accordingly, prospective investors should not rely on any of the information in press articles or other media coverage.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties and therefore investors should not place undue reliable on such information

This prospectus contains certain forward-looking statements relating to the plans, objectives, expectations and intentions of our Directors and our Group. Such forward-looking statements are based on numerous assumptions as to the present and future business strategies of our Group and the development of the environment in which our Group operates. Any and all of those assumptions could prove to be inaccurate and, as a result, the forward-looking statements based on those assumptions could also be incorrect. These statements involve known and unknown risks, uncertainties and other factors which may cause the actual financial results, performance or achievements of our Group to be materially different from the anticipated financial results, performance or achievements of our Group expressed or implied by these statements. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section.

Subject to the GEM Listing Rules, we do not intend to publicly update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purpose of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and is not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

Printed copies of this prospectus as required by the GEM Listing Rules and the Companies (Winding up and Miscellaneous Provisions) Ordinance are available for inspection, for information purposes only, during normal office hours from 9:00 a.m. to 5:00 p.m. at the office of Octal Capital Limited at 802-805, 8th Floor, Nan Fung Tower, 88 Connaught Road Central, Hong Kong up to and including the date which is 14 days from the date of this prospectus.

OFFER SHARES ARE FULLY UNDERWRITTEN

This prospectus sets out the terms and conditions of the Share Offer.

This prospectus is published solely in connection with the Share Offer, which is sponsored by the Sole Sponsor and managed by the Joint Lead Managers and is fully underwritten by the Underwriters (subject to the terms and conditions of the Underwriting Agreements). Further information about the Underwriters and the underwriting arrangements is contained in the section headed "Underwriting" of this prospectus.

RESTRICTIONS ON SALE OF THE OFFER SHARES

As at the Latest Practicable Date, no action has been taken in any jurisdiction other than Hong Kong to permit the offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstance in which such offer or invitation is not authorised or to any person to whom it is unlawful to make an unauthorised offer or invitation. No invitation may be made to the public in Bermuda to subscribe for or purchase any of the Offer Shares.

Prospective applicants for the Offer Shares should consult their financial advisers and take legal advice, as appropriate to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should inform themselves as to the relevant legal requirements and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

Each person acquiring the Offer Shares will be required to confirm, or be deemed by his/her subscription or acquisition of the Offer Shares to have confirmed that he/she is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus and that he/she is not subscribing for and has not been offered any Offer Shares in circumstances that contravene any such restriction.

APPLICATION FOR LISTING ON GEM

Application has been made to the Listing Division for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue and the Share Offer and any new Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option as otherwise described herein.

No part of our Company's share or loan capital is listed or dealt in on any other stock exchange and, save as disclosed in the paragraph above, no such listing or permission to deal is being or is proposed to be sought.

Under Section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment or transfer made in respect of any placing of the Offer Shares will be void if permission for the listing of, and dealing in, the Shares on GEM has been refused before the expiration of three weeks from the date of closing of the Share Offer or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at least 25% of the total issued share capital of our Company must at all times be held by the public.

As disclosed in the section headed "History, reorganisation and group structure" of this prospectus, Kunlun Holdings Group Limited and Raton Race Investments Limited, Independent Third Parties (collectively, the "**PE Investors**"), will collectively hold approximately 7.4% of the enlarged issue share capital of our Company immediately after the completion of the Capitalisation Issue and the Share Offer (without taking into account of any new Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option) and their shareholding will be counted as part of the public float upon Listing.

Pursuant to the Preferential Offering, up to 4,432,000 Shares, representing approximately 0.9% of the enlarged issue share capital of our Company immediately after the completion of the Capitalisation Issue and the Share Offer (without taking into account of any new Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option) may be subscribed by and placed to Strong Eagle.

Accordingly, the total number of Shares which will be in the hands of the public upon the Listing will be approximately 151,243,675 Shares, representing approximately 31.5% of the enlarged issued share capital of our Company immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any new Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option), comprising (i) 155,568,000 Offer Shares, representing approximately 24.1% of the enlarged issued share capital; and (ii) 35,675,675 Shares held by the PE Investors, representing approximately 7.4% of the enlarged issued share capital. This is in compliance with public float requirements under Rule 11.23(7) of the GEM Listing Rules.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors for the Offer Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of the subscription for, holding, purchase, disposal of or dealing in the Shares or exercising their rights thereunder.

It is emphasised that none of our Company, our Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and their respective directors or employees or any other persons involved in the Share Offer accepts responsibility for any tax effects on, or liability of, holders of Shares resulting from the subscription for, holding, purchase, disposal of or dealing in the Shares or exercising any rights attached to them.

REGISTER OF MEMBERS AND STAMP DUTY

All Shares in issue pursuant to applications in the Share Offer and the Preferential Offering will be registered on the branch register of members of the Company to be kept in Hong Kong by Tricor Investor Services Limited. The principal share register will be maintained in Bermuda by our Company's principal share registrar, Conyers Corporate Services (Bermuda) Limited. The Shares are freely transferable, but only Shares registered on our branch share register maintained in Hong Kong may be traded on GEM, unless the Stock Exchange otherwise agrees.

Dealings in the Shares registered on the branch share register of our Company in Hong Kong will be subject to Hong Kong stamp duty. For further details about Hong Kong stamp duty, please refer to the paragraph headed "Taxation of holders of Shares" under the section headed "Other information" in Appendix IV to this prospectus. Dealings in the Shares will not be subject to Bermuda stamp duty.

Unless our Board determines otherwise, dividends payable in HK$ in respect of the Shares will be paid by cheque sent at the Shareholder's risk to the registered address of each Shareholder or, in the case of joint holders, the registered address of that one whose name stands first in the register in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Further details of the structure and conditions of the Share Offer are set out in the section headed "Structure and conditions of the Share Offer" of this prospectus.

PREFERENTIAL OFFERING

In order to enable the shareholders of Singyes Solar to participate in the Share Offer on a preferential basis as to allocation only, the Qualifying Singyes Solar Shareholders are being invited to apply for an aggregate of 12,000,000 Reserved Shares (representing 10% of the Offer Shares and about 2.5% of the enlarged share capital of the Company upon completion of the Share Offer and the Capitalisation Issue assuming that the Offer Size Adjustment Option is not exercised) in the Preferential Offering on the basis of an Assured Entitlement of one Reserved Share for every whole multiple of 69 Singyes Solar Shares held by them as at 4:30 p.m. on the Record Date. Holders of less than 69 Singyes Solar Shares as at 4:30 p.m. on the Record Date will not be entitled to apply for the Reserved Shares. The Reserved Shares are being offered out of the Offer Shares being offered under the Share Offer.

Further details are set out under the paragraph headed "The Preferential Offering" in the section headed "Structure and conditions of the Share Offer" in this prospectus.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on GEM and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date, or on any other date as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. If investors are unsure about the details of CCASS settlement arrangement and how such arrangements will affect their rights and interests, they should seek the advice of their stock broker or other professional adviser.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on GEM are expected to commence on or about Friday, 21 July 2017. Shares will be traded in board lots of 4,000 shares each. The stock code of our Shares is 8073.

LANGUAGE

If there are any inconsistencies between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in this prospectus and for which no official English translation exists are unofficial translations for reference only.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of individual items. Where information is presented in thousands or millions of units, amounts may have been rounded up or down. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

EXCHANGE RATE CONVERSION

In this prospectus, unless otherwise specified, for the purpose of this prospectus, amounts denominated in RMB are translated into HK$ at the rates of RMB0.87422 to HK$1.00, being the average middle exchange rate of Hong Kong dollar to Renminbi announced by The People's Bank of China as at the Latest Practicable Date, and amounts denominated in US$ are translated into HK$ at the rates of US$1.00 to HK$7.8 for illustration purpose only. No representation is made that any amount in US$, RMB and HK$ could have been or could be converted at the above rates or at any other rates or at all.

THE SPIN-OFF

On 10 March 2016, Singyes Solar submitted a proposal for the Spin-off to the Stock Exchange pursuant to Practice Note 15 of the Listing Rules. On 21 July 2016, Singyes Solar obtained approval from the Stock Exchange to proceed with the Spin-off. The reduction of Singyes Solar's shareholding interest in our Company following completion of the Spin-off does not constitute a notifiable transaction of Singyes Solar under the Listing Rules and accordingly Singyes Solar is not required to obtain the approval of its shareholders in respect of the Spin-off.

As at the Latest Practicable Date, the Remaining Group was principally engaged in the business of: (i) environmental protection applications, namely the application of various "green" technology and applications (such as energy-saving curtain walls and solar thermal collectors and converters) to buildings in the PRC; and (ii) renewable energy project and integration applications, such as photovoltaic power station and solar farms and water heating systems in the PRC (collectively referred to as the "**Remaining Businesses**"), whereas our Group focused on the research and development, production and sales of ITO film, Smart Light-adjusting Products and Smart Light-adjusting Projection System.

REASONS FOR AND BENEFITS OF THE SPIN-OFF

The business of our Group has grown to a size sufficient to command a separate listing status on the GEM and such listing will be beneficial to the Remaining Group and our Group for the following reasons:

(a) ***enhancing the operational and financial transparency of our Group:*** given the difference in the nature of businesses of our Group and the Remaining Group, the Spin-off is anticipated to enhance operational and financial transparency of our Group and therefore provide investors with a clearer understanding of the respective operations and financial performance of our Group and the Remaining Group. Investors will be able to appraise the strategies, functional exposure, risk and returns with our Group and the Remaining Group separately. It is expected that each of our Group and the Remaining Group will be able to improve their capital raising capability as they will be able to target their respective shareholder bases more effectively;

(b) ***more defined business focus:*** our Group and the Remaining Group are believed to have different growth paths and different strategies due to the differences in the nature of their businesses. Thus, the Spin-off will allow separate platforms for the business of our Group and the Remaining Group to grow with more focused development and strategic planning of their respective operations. Further, there are clear benefits for management of our Group to focus and dedicate more of their time on such ventures as our Smart Light-adjusting Projection System, which will in turn enhance their efficiency and decision-marketing processes and consequently assist in generating value to shareholders;

(c) ***taking advantage of our Group's growth potential:*** the Spin-off is expected to enable our Group to take advantage of our growth potential (which will be enhanced under a focused management capable of driving performance and execution of more specific strategies applicable to our Group) by attracting new investors who are seeking investments in new material products industries. With a separate listing, our Group should have more flexibility in meeting our funding needs, pursuing our growth paths and implementing our strategies. The Remaining Group will also benefit as it adopts a more focused approach and works to maximise synergies of businesses and capital structure;

(d) ***enhancing our capital raising capability:*** the Spin-off will provide a separate fund raising platform for our Company which will be able to access both equity and debt capital markets directly and without reliance on the Remaining Group. The separate Listing of our Group will also facilitate the securing of bank credit facilities which will in turn improve the respective financial status of both our Company and Singyes Solar;

(e) ***enhancing the value of our Company:*** the Spin-off and the Listing of our Company is expected to enhance the value of our Group as the Listing is expected to:

   (i) enhance our Group's profile amongst our customers, suppliers, and other business partners, as well as our ability to recruit good talents available;

   (ii) lead to a more direct alignment of our management's responsibilities and accountability with our operating and financial performance, as a result of heightened scrutiny of the investor community. This is anticipated to enhance management focus, lead to faster response-time to market changes as well as increase operational efficiency. It will be relatively easier to measure the management's performance against the stock market performance of our Company in comparison with our industry peers listed on the Stock Exchange. It will also be possible to link management incentives to performance, thereby increasing management motivation and commitment; and

   (iii) provide clarity on the credit profile of our Company for rating agencies and financial institutions that wish to analyse and lend against the credit of a company engaged in similar business.

THE PREFERENTIAL OFFERING

In order to enable Singyes Solar Shareholders to participate in the Share Offer on a preferential basis as to allocation only, subject to the Listing Division granting approval of the listing of, and permission to deal in, the Shares on the GEM of the Stock Exchange and the Share Offer becoming unconditional, Qualifying Singyes Solar Shareholders are being invited to apply for an aggregate of 12,000,000 Reserved Shares (representing 10% of the Offer Shares and 2.5% of the enlarged share capital of the Company upon completion of the Share Offer assuming the Offer Size Adjustment Option is not exercised) in the Preferential Offering on the basis of Assured Entitlement of one Reserved Shares for every whole multiple of 69 Singyes Solar Shares held by them at 4:30 p.m. on the Record Date.

Please refer to the section headed "Structure and conditions of the Share Offer — the Preferential Offering" of this prospectus for further information.

DIRECTORS

Name	Address	Nationality
Chairman and Non-executive Director		
LIU Hongwei (劉紅維)	Room 901, Unit 2 Block 2 Vanke Zhubin Garden No. 177, Jing Shan Road Zhuhai City Guangdong Province, the PRC	Chinese
Executive Directors		
SUN Jinli (孫金禮)	Room, 2703 Block 6 Fineland Orient No. 233 Jiangmin Road Zhuhai City Guangdong Province, the PRC	Chinese
ZHAO Feng (趙峰)	15-1-1501 Shangdonglingyu 88 Xiangzhou Shixi Road Xiangzhou District Zhuhai City Guangdong Province, the PRC	Chinese
ZHANG Chao (張超)	Room 2203, Unit 1 Block 17, Phase Two Zhongzhu Uptown Xiangzhou District, Zhuhai City Guangdong Province, the PRC	Chinese
TANG Liwen (湯立文)	Room 12A, Block 18 123 Shihua East Road Jida, Zhuhai City Guangdong Province, the PRC	Chinese

Independent Non-executive Directors

LEE Kwok Tung Louis (李國棟)	Flat B, 16/F, Tower 1 Grand Promenade 38 Tai Hong Street Hong Kong	Chinese
WEI Junfeng (魏軍鋒)	Room 902, 9/F Lane 1650, Jinxiu Road Pudong New Area Shanghai, the PRC	Chinese
LI Ling (李玲)	Room 203, Block 40 Yang Cheng Yuan Jinan University Guangzhou City Guangdong Province, the PRC	Chinese

For further information, please refer to the section headed "Directors, senior management and employees" of this prospectus.

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor	Octal Capital Limited 802-805, 8th Floor Nan Fung Tower 88 Connaught Road, Central Hong Kong
Joint Bookrunners and Joint Lead Managers	Yuanta Securities (Hong Kong) Company Limited 23/F, Tower 1 Admiralty Centre 18 Harcourt Road Admiralty Hong Kong China Everbright Securities (HK) Limited 24th Floor, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong

Legal advisers to our Company as to Hong Kong law	Jeffrey Mak Law Firm 1309, 13th Floor, Prince's Building 10 Chater Road, Central Hong Kong
Legal advisers to our Company as to PRC law	Grandall Law Firm (Shanghai) 23-25F, Garden Square 968 West Beijing Road Shanghai, the PRC
Legal advisers to our Company as to Bermuda law	Conyers Dill & Pearman 29/F, One Exchange Square 8 Connaught Place Central Hong Kong
Legal advisers to the Sole Sponsor and the Underwriters as to Hong Kong law	Charltons 12th Floor, Dominion Centre 43-59 Queen's Road East Hong Kong
Legal advisers to the Sole Sponsor and the Underwriters as to PRC law	Jingtian & Gongcheng 34/F, Tower 3, China Central Place 77 Jianguo Road Chaoyang District Beijing 100025, the PRC
Auditors and reporting accountants	Ernst & Young 22/F, CITIC Tower 1 Tim Mei Avenue Central Hong Kong
Industry consultant	Frost & Sullivan Room 1018, Tower B No. 500 Yunjin Road Xuhui District Shanghai 200232, the PRC
Receiving bank	Industrial and Commercial Bank of China (Asia) Limited 33/F, ICBC Tower 3 Garden Road Central Hong Kong

Registered office	Clarendon House 2 Church Street Hamilton HM11 Bermuda
Headquarter and principal place of business in the PRC	Levels 1 and 2 Factory Building No.7 Zhuhai Xingye New Energy and Industrial Park 9 Jinzhu Road Gaoxin District, Zhuhai City Guangdong province, the PRC
Principal place of business in Hong Kong	Unit 3108, 31/F China Merchants Tower Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong
Company's website address	www.syeamt.com *(information contained on this website does not form part of this prospectus)*
Company secretary	Lau Wai Han *(Member of the Hong Kong Institute of Certified Public Accountants)* Unit 3108, 31/F China Merchants Tower Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong
Authorised representatives (and compliance officer) for the purpose of the GEM Listing Rules	Sun Jinli Unit 3108, 31/F China Merchants Tower Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong
Authorised representatives (for the purpose of Part 16 of the Companies Ordinance)	Lau Wai Han Unit 3108, 31/F China Merchants Tower Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong
Audit committee	Lee Kwok Tung Louis *(Chairman)* Wei Junfeng Li Ling
Remuneration committee	Wei Junfeng *(Chairman)* Lee Kwok Tung Louis Li Ling

Nomination committee	Liu Hongwei *(Chairman)* Wei Junfeng Li Ling
Principal bankers	Agricultural Bank of China Zhuhai South Bay Branch No. 35 Pinglan Road Xiangzhou District Zhuhai the PRC Hongkong and Shanghai Banking Corporation Limited 400 Des Voeux Road Central Central Hong Kong
Principal share registrar and transfer office	Conyers Corporate Services (Bermuda) Limited Clarendon House 2 Church Street Hamilton, HM 08 Bermuda
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Compliance advisor	Octal Capital Limited 802-805, 8th Floor Nan Fung Tower 88 Connaught Road Central Hong Kong

This section contains certain information which is derived from official government publications and industry sources as well as a commissioned report from Frost & Sullivan. Our Directors believe that the sources of information extracted from F&S Report are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sole Sponsor, the Joint Bookrunners and the Joint Lead Managers, the Underwriters or any other party involved in the Share Offer and no representation is given as to its accuracy. The information from official government publications may not be consistent with information available from other sources within or outside the PRC and Hong Kong. Neither our Group, its affiliates or advisors, the Underwriters or their affiliates or advisors, nor any other party involved in the Share Offer make any representation as to the accuracy, completeness or fairness of such information from official government publications. After taking reasonable care, our Directors confirmed that there was no adverse change in the market information since the date of the F&S Report up to the Latest Practicable Date, which may qualify, contradict or have an impact on the information in this section.

SOURCES OF INFORMATION AND RESEARCH METHODOLOGY

We commissioned Frost & Sullivan, an Independent Third Party, to conduct a market analysis and to provide a market research report on China's ITO film industry, the Smart Light-adjusting Products industry and the Smart Light-adjusting Projection System industry. Frost & Sullivan is an independent global consulting firm, which was founded in 1961 in New York and offers industry research and market strategies and provides growth consulting and corporate training. We incurred a total of RMB350,000 in fees and expenses for the preparation of the F&S Report.

Frost & Sullivan has conducted detailed primary research which involved discussing the status of the industry with certain leading industry participants. Frost & Sullivan has also conducted secondary research which involved reviewing company reports, independent research reports and data based on its own research database. Frost & Sullivan has obtained the figures for the estimated total market size from historical data analysis plotted against macroeconomic data as well as considered the above-mentioned industry key drivers.

In compiling the F&S Report, Frost & Sullivan has adopted the following key assumptions:

- the social, economic and political environment of the PRC is likely to remain stable in the forecast period; and
- related industry key drivers are likely to drive the market in the forecast period.

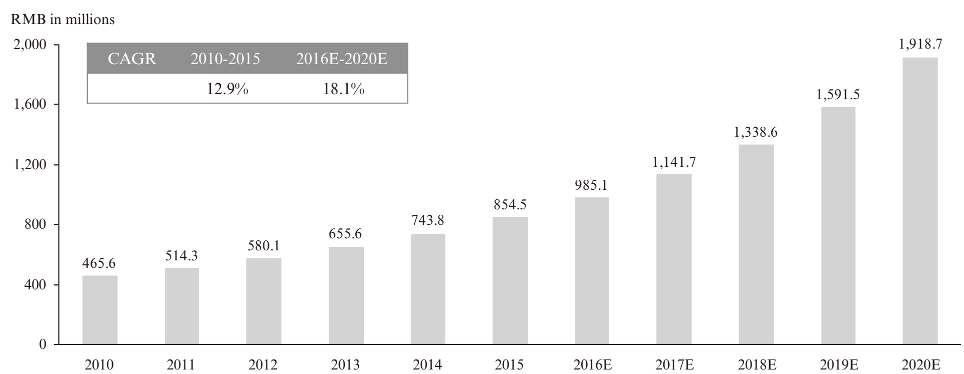
OVERVIEW OF ITO FILM INDUSTRY IN CHINA

Indium tin oxide (ITO) is a ternary composition of indium, tin and oxygen which is the most widely used transparent conducting oxide because of its electrical conductivity and optical transparency as well as the ease with which it can be deposited as a thin film. ITO film is widely used in modern industry such as electronic displays (such as flat panel displays and touch screens) and is a very important raw material used in the production of Smart Light-adjusting Products (as described below).

The market size of the ITO film industry by revenue reached RMB854.5 million in 2015 and grew at a CAGR of 12.9% from 2010 to 2015, driven by growing domestic demand. Over 70% of sales of ITO film products are made to the electronic displays industry for applications such as LCD screens, plasma display panels, electroluminescent displays and touch panels.

With the gradual rising popularity of Smart Light-adjusting Products which are applied for use in advertisement displays, high-end residential and commercial buildings as well as other fields, it is anticipated that there will be an increase in demand for ITO film. With the development of downstream application segments, it is expected that the market size of the ITO film industry in terms of revenue will reach RMB1,918.7 million in 2020, representing growth at a CAGR of 18.1% over the period from 2016 to 2020.

China ITO Film Market Size by Revenue, 2010-2020E

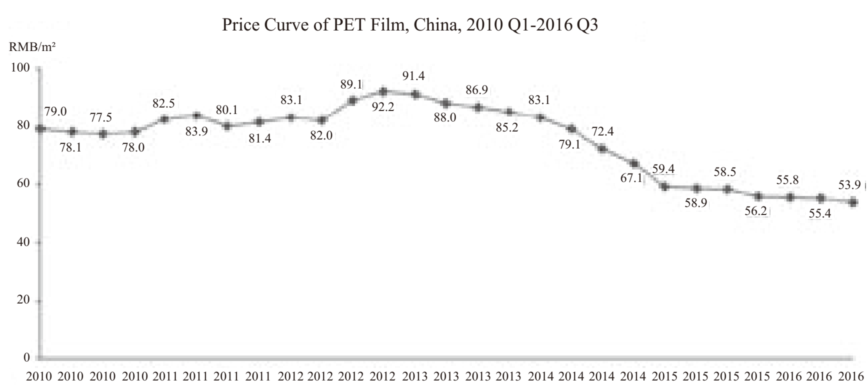


"E" denotes estimated figures

Source: Frost & Sullivan

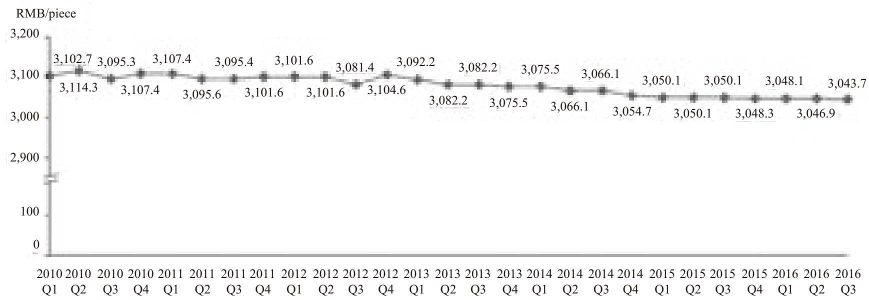
Raw material price analysis for ITO film market

The major raw materials of ITO film are: (i) PET film, which represents 60-70% of the total production cost of ITO film; and (ii) ITO Targets. The following chart illustrates the prices movements of PET film and ITO Targets in the PRC from 2010 to 2016 Q3:



Source: Frost & Sullivan

Price Curve of ITO Target (206*100mm*6T), China, 2010 Q1-2016 Q3



Source: Frost & Sullivan

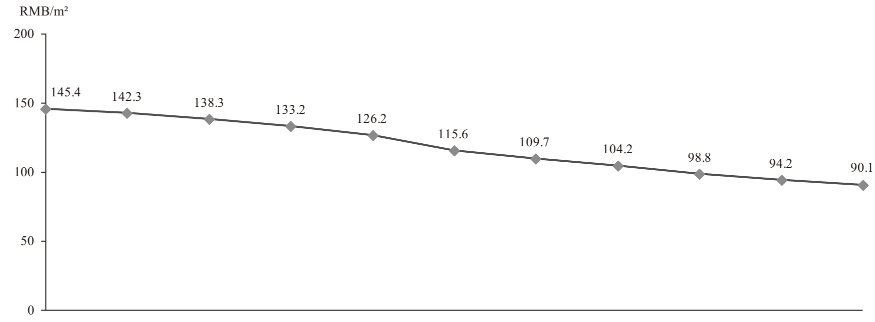
The price of PET film increased over the period from the first quarter of 2010 to the fourth quarter of 2012 with slight fluctuations due to changes in supply volume, and reached RMB92.2/sq.m. by the end of 2012. However, there is a decreasing trend in pricing since the first quarter of 2013 due to increasing capacity of suppliers for mass production as well as technological advancements which lowered costs. A steady decrease in pricing is expected in the next few years.

The price of ITO target has witnessed slight fluctuations over the period from 2010 to 2016 Q3 but stabilised between RMB3,000 per piece to RMB3,120 per piece. The price of ITO target in the PRC is expected to decrease in the future due to technological advancements as well as reduced reliance on import of indium, being a major raw material of ITO target, as China is the world's largest indium exporter.

Price analysis of the ITO film market

The average sales price of ITO film decreased from RMB145.4/sq.m. in 2010 to RMB115.6/sq.m. in 2015 due to increasing capacity of suppliers for mass production, technological advancements as well as decreasing price of raw materials. The drop was particularly evident in 2015 due to slowing growth of the smartphone market as well as a downturn in the domestic construction market. With the steadily growing PRC domestic economy and increasing popularity of downstream products however, it is expected that the price of ITO film will decrease at a slower rate in the next few years.

Average Price Curve of ITO Film, China, 2010-2020E

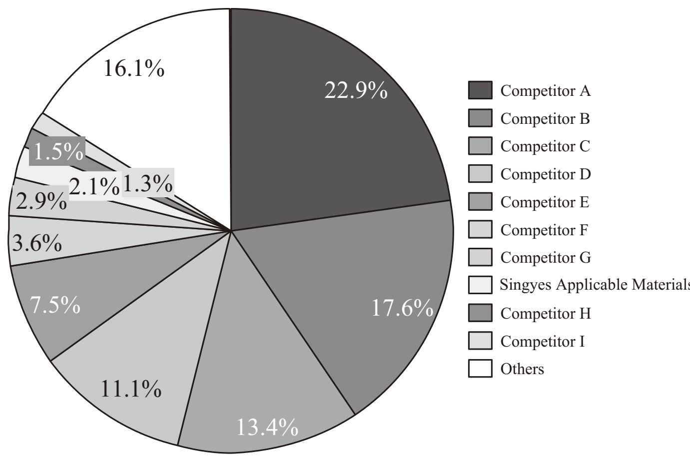


"E" denotes estimated figures

Source: Frost & Sullivan

Competitive landscape

The ITO film market in China is a highly centralised market with top ten producers accounting for 81.5% and 83.9% of the total market share in 2014 and 2015 respectively. Singyes Applicable Materials, our key operating subsidiary was ranked ninth (with market share of 2.4% by revenue) and eighth (with market share of 2.1% by revenue) in 2014 and 2015 respectively. The following chart shows the market position of Singyes Applicable Materials in 2015:



Source: Frost & Sullivan

Future outlook and market trends

It is expected that the ITO film market in the PRC will be affected by the following factors in the near future:

(i) *increasing downstream applications*: demand for ITO film is expected to increase mainly driven by demand from the touch screen manufacturing industry where sales of smartphones in the PRC grew at a CAGR of 19.5% from 2012 to 2015. Further, due to the rapid economic development and rise in disposal income in the PRC (with nominal GDP per capital expected to grow at CAGR of 6.8% and disposal income per capital expected to grow at CAGR of 8.9% from 2016 to 2020), it is expected that touch screen and other ITO-related downstream products will become more affordable and therefore continue to drive the growth of the ITO market;

(ii) *innovation and technological advancement*: the quality of ITO film produced by domestic manufacturers is expected to improve as domestic manufacturers have adopted essential technologies (previously a specialisation of foreign manufacturers), for production and are becoming more technologically advanced;

(iii) *strong policy support*: the development of ITO film market is strongly supported by the PRC government and received special support under the 13th Five-Year Plan;

(iv) *increasing market consolidation*: the number of producers is expected to decline from now over 350 to less than 50 as leading companies are likely to expand their market share through acquisitions and expansion of product range while smaller companies may find it difficult to compete;

(v) *vertical integration*: it is expected that ITO film manufacturers will engage in vertical integration of the value chain to cope with increasingly fierce market competition through integration with downstream manufacturers or building sustaining customer relationships with end-customers through downstream manufacturers; and

(vi) *popularity of ductile ITO film*: there is increasing interest in ductile ITO film to meet technical requirements of bendable display screens in downstream products.

Entry barriers

The following are key barriers to entry to the ITO film market in the PRC:

(i) *dominance over core production resources*: the dominance of Japanese companies in the supply of high-end raw materials and the difficulty in obtaining manufacturing equipment for the production of ITO film are major entry barriers for entrants lacking initial capital;

(ii) *technology and expertise*: heavy investments is required in production technology, and research and development to meet the customisation requirements of customers and many highly technical production techniques and patents are monopolised by leading producers in the market; and

(iii) *downstream customer base*: as downstream customers rely heavily on the quality and stability of ITO film to sustain the quality of their products, they are less likely to switch to another supplier considering the risk that the quality of ITO film may change and new producers may find it difficult to build up customer base.

Threats

The following are key threats to the ITO film market in the PRC:

(i) *reliance on import of upstream production materials*: the ITO market in the PRC is highly reliant on the import of high-grade ITO targets and PET film from foreign countries which may increase production costs and makes it difficult to guarantee stable supply for mass production; and

(ii) *threats from alternative new materials*: currently there are companies working to develop alternative solutions to ITO film which are currently at the experimental laboratory stage. The development of alternative materials which could be used as a substitute for ITO film may pose a threat to the industry. Alternatives of ITO film at present include:

(a) *fluorine-doped tin oxide (FTO) film:* FTO film is considered to be one of the major potential alternatives to ITO Film and is already widely used for the production of LCD screens, substrate of thin-film solar cells, electrochromic glasses, etc. Although FTO film is approximately 10% cheaper than ITO film in terms of costs, ITO film has better functional properties in terms of electrical conductivity and optical transmittance, which makes it the preferred raw material for performance demanding applications (such as high-end touch panel screens or Smart Light-adjusting Products in high-end buildings).

(b) *silver nanowires:* silver nanowires is an emerging potential alternative to ITO film although its use and application for touch module production process is still premature. Silver nanowires have high performance in aspects such as light transmittance and ductility and the raw materials for production are relatively pervasive. However, currently its supply in the PRC is dominated by American companies which charges relatively high prices for supply; and

(c) *graphene:* graphene is another emerging potential alternative to ITO film and has good function properties in terms of light transmittance and resistivity; however, it is still in the experimental stage and further research work is needed to bring the product to mass production.

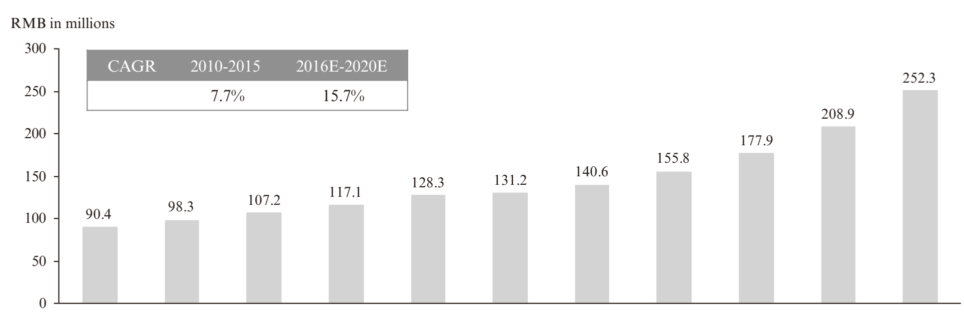
For the time being and in the foreseeable future, ITO film will remain as one of the most practicable high performing transparent conducting film, the production technique of which is relatively mature.

OVERVIEW OF THE SMART LIGHT-ADJUSTING PRODUCTS INDUSTRY IN CHINA

Smart Light-adjusting Products (including Smart Light-adjusting Film and Smart Light-adjusting Glass) make use of the conductive property of the ITO film and switchable liquid crystal under an external electrical field to achieve light control and permeability, allowing it to switch between transparent to opaque states. Given such properties, Smart Light-adjusting Products are applied in various fields such as construction and decoration, automobile and new energy fields.

The market size of the Smart Light-adjusting Products industry by revenue has experienced steady growth over the period from 2010 to 2015 and grew at a CAGR of 7.7% from RMB90.4 million in 2010 to RMB131.2 million in 2015. It is expected that growth in the market will accelerate to a CAGR of 15.7% with market revenues reaching RMB252.3 million in 2020, driven by growing domestic demand due to market trends described in the paragraph "Future outlook and market trends" below.

China Smart Light-adjusting Products Market Size by Revenue, 2010-2020E



"E" denotes estimated figures

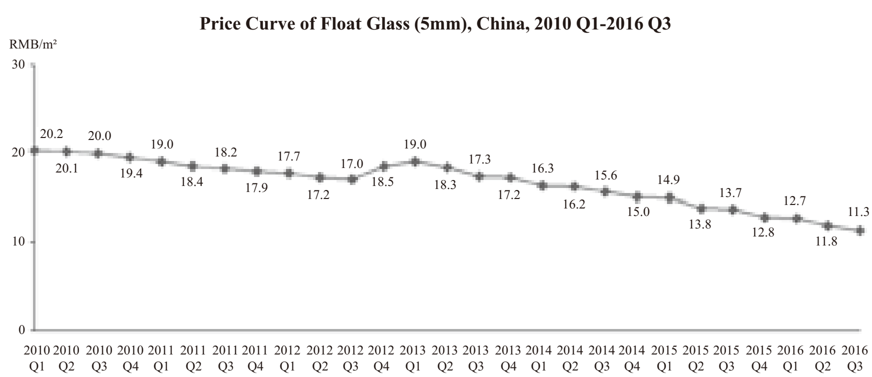
Source: Frost & Sullivan

The rapid growth potential for Smart Light-adjusting Products can be justified by three major factors. First, the fast development of high-end commercial buildings towards comfort, energy efficiency and privacy protection, is demanding more high-standard decorations as well as multifunctional office settings to fulfil their needs by replacing traditional curtains and concrete walls with Smart Light-adjusting Products, enhancing their user experience. Second, the concept of "smart home" is getting increasingly popular and this gives rise to smart products with light-adjusting function which can be utilised as blinds for privacy protection in bathrooms, bedrooms and living rooms, or as a switchable projection screen for home cinema. Third, as an integral part of the Smart Light-adjusting Projection Systems, the demand for Smart Light-adjusting Products is also driven by the wider application of Smart Light-adjusting Projection Systems in areas such as outdoor advertising billboards in public transport stations and on commercial buildings, corporate boardrooms, conference facilities, high-end bars, clubs, pubs as well as home theatre set ups etc. Therefore, the fast development of high-end commercial building, the rapidly increasing market size of smart home and the wider application of Smart Light-adjusting Projection System largely facilitate the future growth of Smart Light-adjusting Products.

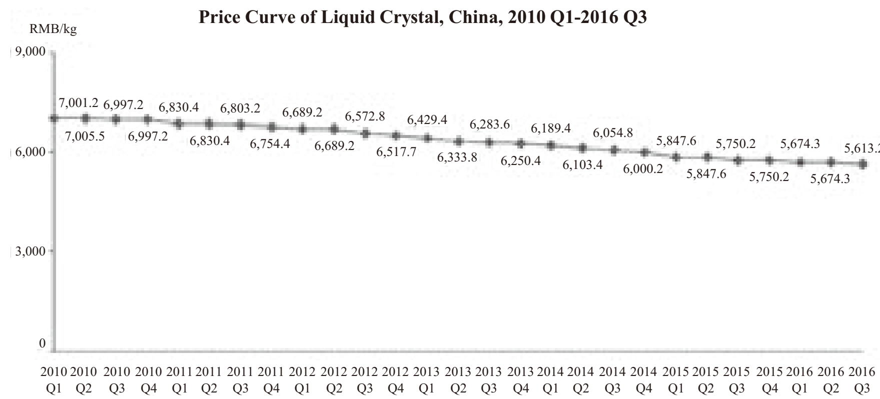
Currently, public acceptance for Smart Light-adjusting Products is relatively low; however, in specific high-end application sectors such as luxury hotels and boutique office buildings, the products have already been embracing growing adoption by corporate clients. Following a top-down market penetration approach promoted mainly by corporates, the recognition among individual clients will also increase. It is expected to take some time for market cultivation but a promising future growth is predictable. Therefore, with the ever rising market recognition and acceptance underpinned by the adoption of corporate clients as well as the strengthening initiatives in product branding of the smart light-adjusting product suppliers, the market penetration is expected to grow significantly in the coming years.

Raw material price analysis for Smart Light-adjusting Products market

Major raw materials for Smart Light-adjusting Products include ITO film, PET film, float glass and liquid crystal. The following chart illustrates the prices movements of float glass and liquid crystal in the PRC from 2010 to 2016 Q3 (the price movements of ITO film and PET film is discussed in the paragraph headed "raw material price analysis for the ITO film market" above):



Source: Frost & Sullivan



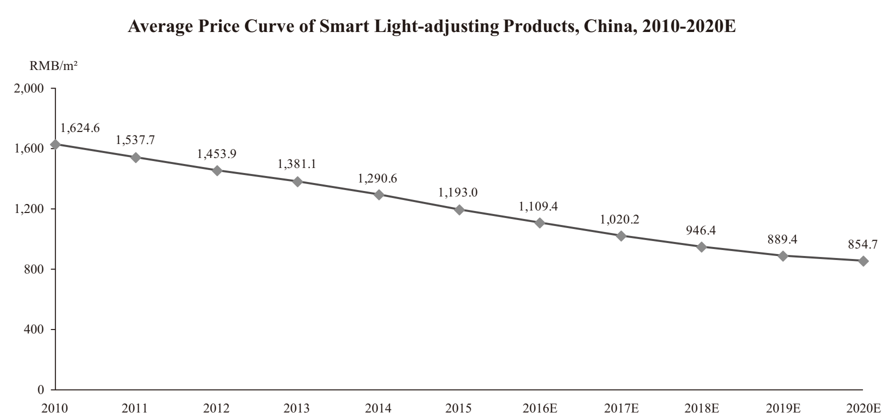
Source: Frost & Sullivan

The price of float glass experienced a slight fluctuation from 2012 to 2014 but has experienced a general downward trend from 2010 to 2016 Q3. It is expected that this downward trend will continue due to the overcapacity within the industry.

Liquid crystal is a key raw material in the manufacturing of PDLC which is an important material used in the manufacturing of Smart Light-adjusting Products. The price of liquid crystal has experienced a steady decline over the past few years as they are being used in an increasing variety of industries, leading to technological advancement and increasing mass production and which has had a downward effect on costs.

Price analysis of the Smart Light-adjusting Products market

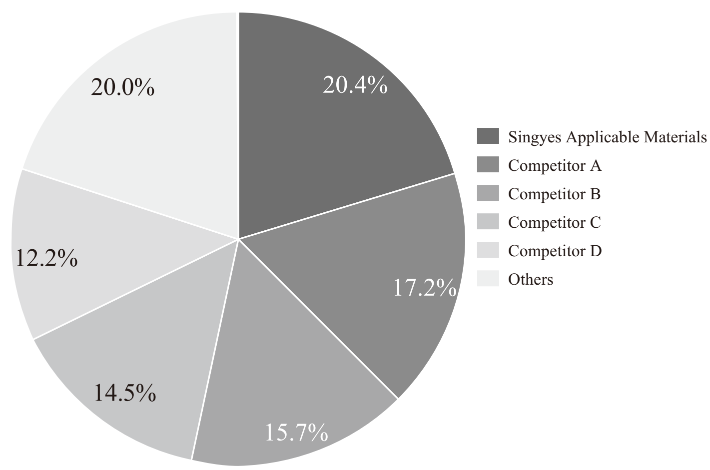
The average sales price of Smart Light-adjusting Products decreased from RMB1,624.6/sq.m. in 2010 to RMB1,193.0/sq.m. in 2015 due to technological advancements as well as reduced reliance on the import of raw materials. It is expected that the price will continue to gradually decline over the next few years as Smart Light-adjusting Products are expected to increase in popularity and market penetration.



Source: Frost & Sullivan

Competitive landscape

The Smart Light-adjusting Products market in China is a centralised market with top five producers accounting for 82.0% and 80.0% of the total market share in 2014 and 2015 respectively. Singyes Applicable Materials was ranked second (with a market share of 20.1% by revenue) and first (with a market share of 20.4% by revenue) in 2014 and 2015 respectively. The following chart shows the market position of Singyes Applicable Materials in 2015:



Source: Frost & Sullivan

Future outlook and market trends

It is expected that the Smart Light-adjusting Products market in the PRC will be affected by the following factors in the near future:

(i) *urbanisation and increasing number of high-end commercial buildings*: growth will be driven by ongoing urbanisation and continued investments in real estate development, high-end apartments, commercial buildings and luxury hotels (which experienced rapid growth from 2010 to 2015) as Smart Light-adjusting Products may replace traditional curtains and concrete walls to enhance user experience in terms of comfort, energy efficiency and privacy protection;

(ii) *rise of "smart home" lifestyle*: there may be demand for Smart Light-adjusting Products (which can allow users to easily control light penetration in the surrounding environment) to facilitate the "smart home" concept for consumers in China in their pursuit of more highly-convenient and interactive living environment as their disposal income increases;

(iii) *expected wider application*: Smart Light-adjusting Products are generally less expensive, more energy-efficient and eco-friendly, less harmful to human eyes and deliver better visual quality than traditional display screens. It is expected that more advanced products (with more customisation and optimisation features) will appear in the market to suit different customers' needs. In particular, its use in Smart Light-adjusting Projection System is expected to have potential for outdoor advertising (in billboards in public stations, commercial buildings etc.) especially as projected images can be viewed from both sides; and

(iv) *steady decline in production costs*: production costs of Smart Light-adjusting Products are expected to fall gradually with acceleration of mass production, vertical integration and a reduction in imports which will lead to a decrease in price of raw materials.

Entry barriers

The following are key barriers to entry to the Smart Light-adjusting Products market in the PRC:

(i) *capability for mass production and vertical integration*: demand from downstream applications of Smart Light-adjusting Products have driven upstream suppliers to engage in mass production to reduce costs through economies of scale as well as engage in vertical integration through the value chain to control costs; this will create difficulty for small entrants who may not be able to scale up production volume or to compete; and

(ii) *technology and expertise*: heavy investments is required in acquiring and fine-tuning production facilities as well as optimising PDLC formulas for processing high quality ITO conductive films where some are under patent protection; a highly technical sales team and resources for research and development are also barriers to entry.

Threats

The following are key threats to the Smart Light-adjusting Products market in the PRC:

(i) *industry disruption by inferior products*: a lack of regulation and standards in the market may lead to fierce price competition among producers of inferior and low-quality products which may result in downward pressure on the sales prices of Smart Light-adjusting Products; and

(ii) *relatively low public acceptance*: the Smart Light-adjusting Products market in the PRC is a newly emerging market compared with the rest of the world and the application depth and breath as well as the market penetration of Smart Light-adjusting Products remains limited as consumers still perceives relevant products as a luxury rather than a commodity.

Major alternatives of Smart Light-adjusting Products in the PRC include electrochromic smart glass and suspended particle device (SPD) glass. While the cost of producing these products are not significantly different to that of Smart Light-adjusting Products and they all have the ability to control the permaeability of light passing through them, the switching rate (between transparent and opaque states) of Smart Light-adjusting Products are much faster than these products and are suitable for high-end application sectors.

OVERVIEW OF THE SMART LIGHT-ADJUSTING PROJECTION SYSTEM MARKET IN CHINA

Smart Light-adjusting Projection System is a set of projection device which combines Smart Light-adjusting Products, a projector and control system as a package, whereby the Smart Light adjusting Products will act as a backdrop for projection from both sides when switched to an opaque state.

Market size of the Smart Light-adjusting Projection System market size by revenue

Smart Light-adjusting Projection System market has been undergoing steady growth over the period from 2010 to 2015 with a CAGR of 37.6%, with total revenues generated of approximately RMB26.6 million in 2015.

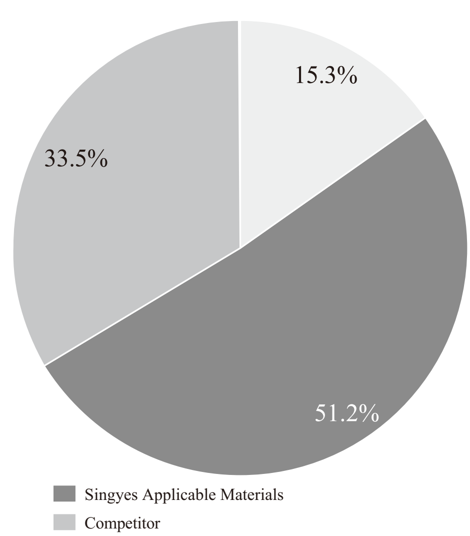
Raw material and price analysis of Smart Light-adjusting Projection System market

A major raw material for Smart Light-adjusting Projection System is the ultra-short throw laser projector, the pricing of which has declined from approximately RMB26,500 per unit from the first quarter of 2010 to approximately RMB20,500 per unit by the end of 2015 primarily because of technological innovation. It is expected that this decline will continue because of the increase in production volume and continued technological progress which is driven by demand in the downstream market such as the market for Smart Light-adjusting Projection System.

Accordingly, there is expected to be corresponding downward pressure on the average sales price of Smart Light-adjusting Projection System, which was sold at average price of RMB69,700 per unit in 2015.

Competitive landscape

The Smart Light-adjusting Projection System market in China is a highly centralised market with top two producers accounting for 84.7% of the total market share in 2015. Singyes Applicable Materials ranked first (with a market share of 51.2% by revenue), as illustrated in the following chart:



Source: Frost & Sullivan

The rapid growth potential for Smart Light-adjusting Projection System is accelerated by three major factors. First, the boom of China's outdoor advertising industry implies a huge potential for Smart Light-adjusting Projection System which is less harmful to eyes and more eco-friendly than traditional display devices (such as LED screens) and presents high-definition visual quality with lower maintenance cost and provides better advertising experience in business scenarios (such as public traffic facilities). Second, the growing income of Chinese households is promoting the pursuit of higher standard in entertainment experience. As switchable smart projection system supports HD projection in frosted (high contrast) or transparent (holographic) modes, it provides customers with a three-dimensional theatre environment at home; hence, better visual experience is presented than traditional screens. Another attractive property of the Smart Light-adjusting Projection System is its lower consumption of power. The system can serve as a window display when the light-adjusting glass is energized (only a weak current will suffice). When the power is cut off, it can be used as a display terminal with marketing purposes. This function gives Smart Light-adjusting Projection Systems the property of energy efficiency compared to traditional LED screens. Thus, a more eco-friendly Smart Light-adjusting Projection Systems will be the option for the market when environmental protection and energy saving is considered. Therefore, booming of the China advertising market, increasing demand for household entertainment experience and energy saving and environmental protection incentives are factors which will largely facilitate the future growth of Smart Light-adjusting Projection System.

Smart Light-adjusting Projection System as a newcomer is still at the beginning for public acceptance; however, the product is believed to have a promising future. With the price of the upstream products gradually falling and the marketing activities by manufacturers expanding, corporate and individual clients in China will come to be more familiar with this new product and find it more affordable eventually. Given the high performance and energy efficient properties of the product, it is estimated that the Acceptance of Smart Light-adjusting Projection System will be accelerated in the coming years especially in the adverting industry.

Future outlook and market trends

It is expected that growth in the Smart Light-adjusting Projection System market will accelerate and that the expected sales amount will increase from RMB26.6 million in 2015 to RMB162.4 million in 2020 (growth at a CAGR of 46.6%), such high prospective growth rate is driven by three major factors:

(i) *demand from the "out-of-home" advertising industry:* in 2015, 67.8% of Smart Light-adjusting Projection Systems sold in the PRC were used for "out-of-home" advertising purposes. The size of "out-of-home" advertising market by revenue amounted to RMB106.3 billion in 2015, representing high growth at a CAGR of 15.8% over the period from 2010 to 2015. It is expected that the market size by revenue of the segment is expected to further grow (at a CAGR of 12.8% from 2016 to 2010) to RMB 197.8 billion by 2020 as branding, advertising and marketing professionals are continuing to attach more importance to "out-of-home" advertising due to its interactive nature and efficiency in reaching larger audiences. As advised by Frost & Sullivan, such demand from the "out-of-home" advertising industry will likely drive the growth in demand for Smart Light-adjusting Projection Systems as:

(a) Smart Light-adjusting Projection Systems are perceived to be a less expensive, more energy-efficient and eco-friendly alternative to traditional displays (such as LED and LCD screens);

(b) Smart Light-adjusting Projection System is currently still an emerging product with a comparatively small market size (generating revenues of approximately RMB26.6 million only in 2015), representing approximately 0.03% of the overall PRC "out-of-home" advertising market by revenue only; while it may take some time for Smart Light-adjusting Project Systems to become more prevalently used (and/or replace the use of traditional displays) in the "out-of-home" advertising market in the PRC, it is believed that given its perceived benefits over traditional displays, it has significant market potential to grow in the next few years and beyond; and

(c) attributed to marketing efforts from leading Smart Light-adjusting Product suppliers such as our Group, customers in the PRC "out-of-home" advertising industry are becoming more aware of the benefits of using Smart Light-adjusting Projection Systems compared to traditional displays.

Given that the market for Smart Light-adjusting Projection System is still an emerging market (compared to the relatively mature "out-of-home" advertising market) and its application to the "out-of-home" advertising context is still a relatively new concept, it is expected that growth in the market will be significantly driven and propelled by increased applications in the "out-of-home" scenarios (including public transport products and commercial buildings) due its perceived benefits over traditional displays and increased public awareness due to marketing efforts. It is expected that Smart Light-adjusting Project Systems will attribute to approximately 0.08% of the overall PRC "out-of-home" advertising market by revenue, up from approximately 0.03% in 2015 (i.e. it is expected that the market share of Smart Light-adjusting Project Systems in the growing PRC "out-of-home" advertising market will be more than doubled over the period from 2015 to 2020);

(ii) *evolving demand for household entertainment:* in recent years, growing disposable income in China has driven more consumers in China to opt for a higher living standard and this has resulted in higher demand for more luxurious lifestyles with more leisure time. Such social development in the PRC is expected to stimulate the demand and development of Smart-Light Projection Systems (which are capable of providing users in China given its ability to offer users with an enhanced entertainment and visual experience, compared to traditional displays);

(iii) *strong policy support:* energy conversation and environmental protection were some of the key initiatives under the 13th Five Year Plan of the PRC government for 2016-2020 mainly due to environmental concerns over pollution arising from power generation. As such, the PRC government is offering financial incentives to manufacturers such as that of our Group given that its products, including the Smart Light-adjusting Projection Systems, are considered to be more energy efficient that traditional displays and LED screens. Such energy-saving property of Smart Light-adjusting Projection Systems is expected to be a continuing force to support the demand of the product..

It is expected that Smart Light-adjusting Projection Systems will be used in many public transport products and commercial buildings for advertisement purposes due to its effectiveness in drawing public attention and its ability to improve visual experience of the audience. It is also less costly to produce, more energy-efficient and more eco-friendly than traditional display screens.

Entry barriers and threats

The Smart Light-adjusting Projection System market is a set of integrated technologies requiring market producers to utilise cutting-edge expertise, engage in extensive research and development and employ high-performing professionals. The ability to vertically integrate for cost control purpose and establishment of long-term relationships with customers are also key barriers to entry.

The major threats to the Smart Light-adjusting Projection System market include (i) relatively low public acceptance at present (as with Smart Light-adjusting Products); and (ii) price pressure from upstream raw materials (including ITO film which are dominated by foreign suppliers).

MARKET OUTLOOK FOR THE GROUP'S MAJOR EXPORT MARKETS

According to Frost & Sullivan, the global Smart Light-adjusting Products market has witnessed continuous growth in recent years, with turnover reaching USD674.2 million in 2015 (up from USD510.3 million in 2010, representing growth at a CAGR of 5.7%). In the future, the global market is expected to amount to USD914.5 million in 2020, representing growth at a CAGR of 7.8% from 2016 to 2020.

Particularly, turnover in the Smart Light-adjusting Products markets in North America and Europe reached USD186.3 million and USD174.5 million respectively in 2015, up from USD145.0 million and USD139.4 million respectively in 2011 (representing growth at a CAGR of 5.1% and 4.6% respectively over the period from 2011 to 2015), and the amount is expected to increase to USD244.1 million and USD223.7 million respectively in 2020 (representing growth at a CAGR of 6.9% and 6.3% respectively over the period from 2016 to 2020). In major Western developed countries, such as the United States, the United Kingdom, Germany and France, Smart Light-adjusting Products have been adopted at an early time and are widely used and demanded for use in high-end commercial buildings and high-end hotels and for certain specific purposes (such as for privacy in banks). The highly developed out-of-home advertising markets in these countries also generate great demand for related Smart Light-adjusting Products for occasions such as window advertising in the retail industry.

Turnover of Smart Light-adjusting Products in the Asia Pacific markets has been growing at a relatively fast pace compared to other regions in the world. In 2015, turnover in the the Smart Light-adjusting Products market in Asia Pacific markets reached USD105.2 million (up from USD74.1 million in 2010, representing growth at a CAGR of 7.3% from 2010 to 2015), and this figure is expected to amount to USD155.0 million in 2020 (representing growth at a CAGR of 10.1% over the period from 2016 to 2020). In particular, major Asia Pacific markets such as Japan have a large demand for Smart Light-adjusting Products for the purpose of serving of high-end commercial buildings, hotels and retail advertising. With economic development, demand for Smart Light-adjusting Products in member countries of the Association of Southeast Asian Nations (ASEAN) has witnessed a rapid growth in turnover from USD23.7 million in 2010 to USD36.8 million in 2015 (representing growth at a CAGR of 9.2%), driven mainly by increasing demand for use in retail advertising and hotels. With the continuous development of the tourism industry in ASEAN countries, demand for Smart Light-adjusting Products is expected to experience further growth and turnover is expected to amount to USD60.5 million in 2020 (representing a CAGR of 13.2% over the period from 2016 to 2020).

Turnover in Smart Light-adjusting Products market in Middle East and Africa reached USD133.7 million in 2015, up from USD101.0 million in 2010 (representing growth at a CAGR of 5.8% over the period from 2010 to 2015), and this figure is expected to amount to USD177.0 million in 2020 (representing growth at a CAGR of 7.2% over the period from 2016 to 2020). In major markets such as Dubai, the development of tourism industry and business has facilitated the growth of luxury hotels and high-end commercial office buildings, which further stimulates the demand for related Smart Light-adjusting Products.

Turnover in the Smart Light-adjusting Products market in South America grew steadily from USD50.8 million in 2010 to USD74.5 million in 2015 (representing growth at a CAGR of 8.0% over the period from 2010 to 2015), mainly due to increased demand from major markets such as Brazil, the host country of the 2016 Olympic Games, where demand for Smart Light-adjusting Products grew remarkably for use in high-end hotels and retail advertising. In the future, it is expected that there will be rapid growth in the number of high-end commercial buildings and hotels in South America alongside continued economic and industrial development, which will in turn stimulate demand for Smart Light-adjusting Products. Hence, turnover in the Smart Light-adjusting Products market in South America is projected to amount to USD114.7 million in 2020 (representing growth at a CAGR of 11.2% over the period from 2016 to 2020).

We mainly conduct our business operations in the PRC. As such, we are subject to the relevant laws, regulations and other regulatory requirements in the PRC. These laws, regulations and regulatory requirements are summarised as follows:

LAWS AND REGULATIONS ON FOREIGN INVESTMENT

Company law

On 29 December 1993, the Standing Committee of the National People's Congress (the "**NPC**") promulgated 中華人民共和國公司法 (the Company Law of the People's Republic of China*) (the "**PRC Company Law**"), effective as from 1 July 1994, and revised on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013 respectively.

The establishment, operation and management of corporate entities in China shall be subject to the PRC Company Law. According to the provisions of the PRC Company Law, companies with limited liability or companies limited by shares can be incorporated in the PRC.

The PRC operating subsidiary of our Group are companies with limited liability. Unless otherwise specified by laws on foreign investment, the PRC Company Law shall also apply to foreign-invested enterprises.

Wholly foreign-owned enterprise law

On 12 April 1986, the Standing Committee of the NPC promulgated 中華人民共和國外資企業法 (the Wholly Foreign-owned Enterprise Law of the People's Republic of China*) (the "**Wholly Foreign-owned Enterprise Law**"), effective as from the date of promulgation and revised on 31 October 2000. Further, the 外資企業法實施細則 (Implementing Rules for the (Wholly Foreign-owned Enterprise Law of the People's Republic of China) (the "**Implementing Rules for the Wholly Foreign-owned Enterprise Law**") were promulgated by the State Council of the PRC ("**State Council**") on and as effective from 28 October 1990, and revised on 12 April 2001 and 19 February 2014.

Under the Wholly Foreign-owned Enterprise Law and the Implementation Rules for the Wholly Foreign-owned Enterprise Law, our PRC subsidiary being a wholly foreign-owned enterprise (i) is a legal entity with the capacity to bear civil liabilities, enjoy civil rights and to own, use and sell properties independently; and (ii) is subject to the procedures for establishment and examination and approval, provision on registered capital (including that their registered capital must be contributed by foreign investors whereby the liability of a foreign investor is limited to the amount of the registered capital for which it agrees to subscribe), foreign exchange control, accounting, taxation, employment and all other relevant matters.

On 3 September 2016, the Standing Committee of the NPC passed the 全國人民代表大會常務委員會關於修改〈中華人民共和國外資企業法〉等四部法律的決定 (the Decision regarding the amendments on the Wholly Foreign-owned Enterprise Law of the People's Republic of China by the Standing Committee of the NPC*) (the "**Decision**"). The Decision amends the Wholly Foreign-owned Enterprise Law in relation to the clause of administrative approval. The amendments do not involve the change of establishment record of the wholly foreign owned enterprises which are under the state regulated special access management measures. The Decision will be implemented on 1 October 2016.

On 8 October 2016, the MOFCOM published the 外商投資企業設立及變更備案管理暫行辦法 (the interim measures in relation to the establishment and change records of wholly foreign owned enterprises*) (the "**Interim Measures**"). The Interim Measures and the Decision will be implemented simultaneously. According to the Interim Measures, any establishment change of the wholly foreign owned enterprises not involved in the state regulated special access management measures requires the record filing procedure to be handled within 30 days after the issue date of issue of the business certificate or the date of the change event.

Catalogue of Industries for Guiding Foreign Investment

According to the 外商投資產業指導目錄 (2015年修訂) (Catalogue of Industries for Guiding Foreign Investment (2015 revision)*), which was promulgated by the NDRC and the MOFCOM on 10 March 2015 and became effective on 10 April 2015, conductive glass for thin film solar cells, solar collecting lens glass and conductive glass for construction industries, in which the Group currently operates, fall under the category of encouraged foreign investment whereby investments from foreign enterprises (in the case of our PRC operating subsidiary, our Company and its investment holding vehicles) are not restricted.

LAWS AND REGULATIONS ON FOREIGN EXCHANGE AND DIVIDEND DISTRIBUTION

Foreign exchange

Regulation on foreign exchange administration

According to 中華人民共和國外匯管理條例 (Regulation of the People's Republic of China on Foreign Exchange Administration*) promulgated by the State Council on 29 January 1996, effective as from 1 April 1996, revised on and effective as from 14 January 1997, and revised on 1 August 2008 and effective as from 5 August 2008, as well as various regulations promulgated by the SAFE and other regulatory authorities of the PRC, there are generally no restrictions on international payment under current foreign exchange accounts (such as foreign exchange trade or dividend payment relating to goods trade and service). However, international payment under capital projects (such as capital transfer, direct investment, securities investment, derivatives and loans) are subject to approval of or registration with the SAFE (and/or one of its branches) and other relevant PRC government bodies.

Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises

According to 國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知 (the Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises*), promulgated by the SAFE on 30 March 2015 and effective as from 1 June 2015, the system of willingness-based foreign exchange settlement is adopted for the foreign exchange capital of foreign-invested enterprises. However, a foreign-invested enterprise may still opt to use its foreign exchange capital according to the system of foreign exchange settlement by payment. The capital of foreign-invested enterprises and capital in RMB obtained through foreign exchange settlement shall not be used for the following purposes: (a) directly or indirectly used for payments outside the business scope or for payments prohibited under national laws and regulations; (b) directly or indirectly used for investment in securities unless otherwise provided by laws and regulations; (c) directly or indirectly used for granting entrusted loans in RMB (unless permitted by the scope of business), repaying inter-company borrowings or repaying bank loans in RMB that have been on-lent to a third party; and (d) paying expenses related to the purchase of real estate not for self-use, except for foreign-invested real estate enterprises.

Dividend distribution

The principal regulation governing the distribution of dividends of foreign invested companies include the PRC Company Law, the Wholly Foreign-owned Enterprise Law and the Implementing Rules for the Wholly Foreign-owned Enterprise Law.

In accordance with these laws and regulations, foreign-invested enterprises in China may only distribute dividend from their accumulated profits as determined by PRC accounting standards. A foreign-invested enterprise in China shall annually set aside no less than 10% of its after-tax profits as reserve, until the reserve reaches 50% of its registered capital. The said reserve shall not be distributed as cash dividend. In addition, foreign-invested enterprise in China shall also retain part of its after-tax profits as bonus and welfare fund for staff at a percentage determined by the foreign-invested enterprise itself. The said staff bonus and welfare fund shall not be used for dividend distribution, either. Our PRC operating subsidiary of the Group sets aside reserve fund at a rate of 10% and enterprise development fund at a rate of 5%.

According to the EIT Law promulgated by the NPC on 16 March 2007, effective as from 1 January 2008, and revised on 24 February, 2017 dividend of distributed to non-resident enterprises and other passive income coming from China shall be subject to a withholding tax at a standard tax rate of 20%. Subsequently, 中華人民共和國企業所得稅法實施條例 (the Implementation Regulations of the Enterprise Income Tax Law of the People's Republic of China*) (the "**Implementation Regulations of EIT Law**"), promulgated by the State Council on 6 December 2007 and effective as from 1 January 2008, reduced the relevant tax rate from 20% to 10%.

According to 內地與香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排 (the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income entered into between China and Hong Kong*) on 21 August 2006, the rate of withholding tax for dividend payable by a PRC company to a Hong Kong resident shall be no more than 5% provided that the Hong Kong resident shall be a company which has been holding no less than 25% of share capital of the said PRC company for 12 months before the dividend distribution.

According to 非居民納稅人享受稅收協定待遇管理辦法 (the Administrative Measures on Entitlement of Non-residents to Treatment under Tax Treaties*) issued by the SAT on 27 August 2015 and effective as from 1 November 2015, non-resident enterprises which receive dividend distributed by PRC resident enterprises and satisfy the criteria for entitlement to tax treaty benefits may, at the time of tax declaration or withholding declaration through a withholding agent, enjoy the tax treaty benefits itself, and be subject to follow-up administration by the competent tax authority. If in the follow-up administration the competent tax authority discovers that a non-resident taxpayer not meeting the qualification for tax treaty benefits has already enjoyed the tax treaty benefits itself and paid insufficient tax or has not paid tax, it shall inform the non-resident taxpayer to make sufficient tax payment within a prescribed period.

Foreign exchange registration for return investments of domestic residents

The injection of assets or equity of PRC companies into overseas special-purpose vehicles by PRC residents are subject to the following regulations promulgated by the SAFE:

Notice on the Relevant Issues about Foreign Exchange Administration of the Financing and Return Investment of Domestic Residents through Overseas Special Purpose Vehicles (Circular 75)

On 21 October 2005, the SAFE issued 關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知 (the Notice on the Relevant Issues about Foreign Exchange Administration of the Financing and Return Investment of Domestic Residents through Overseas Special Purpose Vehicles*) ("**Circular 75**"), effective as from 1 November 2005.

According to Circular 75: (a) before establishing or controlling special-purpose vehicles ("**special purpose vehicle**") for financing of overseas equity, PRC residents shall register with the local branch of the SAFE; (b) if a PRC resident injects assets or equity of domestic enterprises it possesses to the special purpose vehicle, or finances overseas equity after the injection, the said PRC resident shall change registration of foreign exchange concerning equity of net assets and its changes to the special purpose vehicle at the local branch of the SAFE; and (c) if any significant asset change (such as change of share capital or memorandum and articles of association) occurs in overseas special purpose vehicles outside of China, PRC residents shall register relevant changes with the local branch of the SAFE within 30 days after occurrence of the said change.

According to Circular 75 and relevant rules, foreign exchange activities (such as increasing registered capital, distributing dividend to overseas parent company or affiliates and other distribution and acquiring the capital injected from overseas companies) of relevant domestic companies may be limited due to failed registration formalities specified in Circular 75, and relevant PRC residents may be punished in accordance with the PRC laws and regulations on the administration of foreign exchange.

Circular on Relevant Issues Concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents through Overseas Special Purpose Vehicles (Circular 37)

On 4 July 2014, the SAFE issued 關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知 (the Circular on Relevant Issues Concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents Through Overseas Special Purpose Vehicles*)(“**Circular 37**”), which became effective and superseded Circular 75 on the same date, and Circular 37 shall prevail over any inconsistency between itself and relevant regulations promulgated earlier.

According to Circular 37: (a) “special purpose vehicle” is defined as “offshore enterprise directly established or indirectly controlled by the domestic resident (including domestic institution and individual resident) with their legally owned assets or equity of the domestic enterprise, or legally owned offshore assets or equity, for the purpose of offshore investment and financing; (b) domestic resident must register with SAFE before he or she contributes assets or equity interests to special purpose vehicle and (c) following the initial registration, any major changes such as change in the overseas special purpose vehicle’s domestic resident shareholders, name of the overseas special purpose vehicle and term of operation or any increase or reduction of the overseas special purpose vehicle’s registered capital, share transfer or swap, merger or division, or similar development, shall report to the SAFE for registration in time.

According to article 10 headed 境內居民個人特殊目的公司外滙(補)登記 (Foreign exchange registration and supplementary registration for domestic residents through special purpose vehicles*) in 返程投資外滙管理所涉業務操作指引 (the Operating Guidelines for Business involving Foreign Exchange Administration of Return Investments*) attached to the Circular 37 issued by the SAFE, domestic residents are only required to complete registration for the (first level) special purpose vehicles directly set up or controlled by them. According to Circular 37, domestic residents who fail to comply with the registration procedures as set out in Circular 37 may result in penalties such as fines.

Before Circular 37 took effect, Mr. Liu, one of our Controlling Shareholders, had completed foreign investment and exchange registration procedures for domestic residents in respect of his establishment of overseas special purposes vehicles, being Strong Eagle and Singyes Solar, in accordance with the requirements of the then effective Circular 75. Such registration is also in compliance with the currently effective Circular 37.

LAWS AND REGULATIONS ON TAXATION

Enterprise income tax

According to the EIT Law and the Implementation Regulations of EIT Law, taxpayers shall comprise resident enterprises and non-resident enterprises. A resident enterprise refers to an enterprise incorporated pursuant to PRC laws or pursuant to foreign laws but under management by an institution located in China. A non-resident enterprise refers to an enterprise incorporated pursuant to foreign laws and under management by an institution located outside of China, but with an establishment in China or having income from China despite having no establishment in China. According to the EIT Law and the Implementation Regulations of EIT Law, the enterprise income tax shall be levied at a standard rate of 25%. However, a non-resident enterprise without any establishment in China or one with an establishment in China but having income from China not related to the said establishments shall be subject to the enterprise income tax at a rate of 10%.

According to the EIT Law and the Implementation Regulations of EIT Law, a reduced enterprise income tax rate of 15% is applicable to key high-tech technology enterprises with national support. According to 國家稅務總局關於實施高新技術企業所得稅優惠有關問題的通知(國稅函(2009) 203號)(the Circular of the State Administration of Taxation on the Issues Concerning Implementation of the Preferential Income Tax for New Hi-Tech Enterprises (Guo Shui Han [2009] No. 203)*) promulgated by the SAT on 22 April 2009 and effective as from 1 January 2008, qualified high-tech enterprises may apply for the preferential enterprise income tax treatments from the year in which the validity period of qualification commences. Our PRC operating subsidiary has obtained on 10 October 2015 a high-tech enterprise certificate issued by the Guangdong Provincial Department of Science and Technology, the Department of Finance of Guangdong Province, the SAT Guangdong Office and the Guangdong Local Taxation Bureau for a term of three years. As such, our PRC operating subsidiary enjoys an enterprise income tax rate of 15% for the period from 2015 to 2017. An application for renewal may be submitted upon expiration of the period.

Value-added tax

On 13 December 1993, the State Council promulgated the Interim Regulation of the People's Republic of China on Value Added Tax (中華人民共和國增值稅暫行條例) (the "**Interim Regulation on Value-added Tax**"), effective as from 1 January 1994 and revised on 5 November 2008 and 13 January 2016. On 25 December 1993, the Ministry of Finance of the PRC (the "**Ministry of Finance**") promulgated the 中華人民共和國增值稅暫行條例實施細則 (Rules for the Implementation of the Interim Regulation of the People's Republic of China on Value Added Tax*) (the "**Rules for Implementation of the Interim Regulation on Value-added Tax**"), effective as from the date of promulgation and revised on 15 December 2008 and 28 October 2011. According to the Interim Regulation on Value-added Tax and the Rules for Implementation of the Interim Regulation on Value-added Tax, all enterprises and individuals engaged in the sale of goods, provision of processing, repairing and replacement services, and the importation of goods within the territory of China shall pay value-added tax. Save as otherwise specified in the Interim Regulation on Value-added Tax and the Rules for Implementation of the Interim Regulation on Value-added Tax, the value-added tax rate shall be 17%. As at the Latest Practicable Date, our PRC operating subsidiary was subject to value-added tax at a rate of 17%.

LAWS AND REGULATIONS ON ENVIRONMENTAL PROTECTION

As production process produces and discharges pollutants, our operations are subject to PRC laws and regulations relating to environmental protection, a summary of which is set out below:

Environmental protection law

On 26 December 1989, the Standing Committee of NPC promulgated 中華人民共和國環境保護法 (the Environmental Protection Law of the People's Republic of China*) (the "**Environmental Protection Law**"), which was effective as from the date of promulgation and was revised on 24 April 2014 which became effective on 1 January 2015. The Environmental Protection Law established the legal framework of environmental protection in China.

According to the Environmental Protection Law; (i) any organisation that causes environmental pollution and other public hazards shall adopt effective measures to prevent and control the pollution and harms caused to the environment by waste gas, water and residues generated in the course of production, construction or other activities; (ii) installations for the prevention and control of pollution at a construction project shall be designed, built and commissioned together with the principal part of the project; (iii) no permission shall be given for a construction project to be commissioned or used, until its installations for the prevention and control of pollution are examined and considered up to the standard by the competent department of environmental protection administration; and (iv) organisations such as enterprises discharging pollutants must report to and register with the relevant authorities in accordance with the provisions of the competent department of environmental protection administration under the State Council and they are responsible for taking appropriate actions to remedy the consequences caused by pollutants discharged and for compensation any person who may suffer any loss or damage as a result.

Law on environmental impact assessment

On 28 October 2002, the Standing Committee of NPC promulgated 中華人民共和國環境影響評價法 (the Law of the People's Republic of China on Environment Impact Assessment*) (the "**Law of Environmental Impact Assessment**"), effective as from 1 September 2003 and which was revised in July 2016 effective as from 1 September 2016. According to the Law of Environmental Impact Assessment, the PRC government shall set up a system to assess the environmental impact of projects, and to classify and administer environmental impact appraisals in accordance with the degree of a projects environmental impact. If a project results in a material impact on the environment, an environmental impact report thoroughly appraising the potential environmental impact is required. If the project results in moderate impact on the environment, an environmental impact record analysing or appraising the specific potential environmental impact is required. If a project results in minor impact on the environment, an environmental impact assessment is not required but an environmental impact registration form shall be filed.

Our PRC operating subsidiary is under the constant supervision by the Zhuhai Environmental Protection Bureau of Guangdong Province, the PRC, and it is required to prevent, reduce and control environmental and ecological damage caused by its production and operations. Our PRC operating subsidiary was not required to submit any environmental impact report or record or make any filings with the PRC government pursuant to the Law of Environmental Impact Assessment over the Track Record Period.

LAWS AND REGULATIONS ON PRODUCTION SAFETY

On 29 June 2002, the Standing Committee of NPC promulgated the 中華人民共和國安全生產法 (Production Safety Law of the People's Republic of China*) (the "**Production Safety Law**"), effective as from 1 November 2002 and later revised on 31 August 2014 which became effective as from 1 December 2014. According to the Production Safety Law, enterprises, in their business operations, shall be equipped with the conditions for safe production as provided in the relevant law and regulations as well as national or industrial standards. Any enterprise that does not satisfy requisite conditions for safe production may not engage in production or business operations. The design, manufacture, installation, use, checking, maintenance, refiting and disposal of safety equipment shall be in conformity with the national standards or industrial standards. For the production, business operation, transportation, storage and use of any hazardous substance or disposal or abandoning of any hazardous substance by any enterprise, the enterprise shall comply with the provisions of relevant laws and regulations as well as the national standards or industrial standards, and establish specialised safety administration rules, take reliable safety measures, and accept the supervision and administration carried out by relevant competent authorities.

Our PRC operating subsidiary is equipped with conditions to production safety as required by laws and regulations, and is under constant supervision by the Zhuhai Environmental Protection Bureau of Guangdong Province, the PRC.

LAWS AND REGULATIONS ON THE PROTECTION OF CONSUMERS' RIGHTS AND INTERESTS

Products of our PRC operating subsidiary manufactured within its scope of operations are subject to 中華人民共和國消費者權益保護法 (the Law of the PRC on Protection of Consumers' Rights and Interests*), which became effective on 1 January 1994 and was amended on 25 October 2013, which became effective on 15 March 2014 and other related laws and regulations. The Law of the PRC on Protection of Consumers' Rights and Interests sets out requirements for sellers aimed at safeguarding the personal safety and property of consumers. A seller who sells products which pose health or safety risks or which poses a risk to consumers' property must disclose such risks and include a clear warning statement on the product (together with an explanation on the proper way to use the product and methods to prevent relevant risks). In the event of personal injury or property damage to consumers caused by product defects, the consumers shall be entitled to claim for damages from the relevant producer or seller.

LAWS AND REGULATIONS ON PRODUCT QUALITY

Our PRC operating subsidiary produces and sells products in the PRC and is subject to PRC laws and regulations relating to production quality, a summary of which is set out below:

Product quality law

The Standing Committee of NPC promulgated 中華人民共和國產品質量法 (the Product Quality Law of the People's Republic of China*) (the "**Product Quality Law**") on 22 February 1993, which was effective as from 1 September 1993, revised on 8 July 2000 and effective from 1 September 2000, and further revised on 27 August 2009. Under the Product Quality Law, a product shall meet the following quality requirements: (a) be free from unreasonable dangers threatening the safety of human life and property, and conform to national standards or trade standards safeguarding the health or safety of human life and property, as applicable; (b) possess the properties and functions that they ought to possess, except for those with directions stating any functional defects; and (c) conform with product standards marked on the products or the packaging thereof, and to the state of quality indicated by way of product directions and samples.

A supervision and inspection system involving random product quality inspections is implemented by the PRC government. Where any product is found to be substandard or defective, the product quality supervision authority shall order the producer or seller to make corrections within a prescribed period. Failure to comply with the Product Quality Law may subject to the producer or seller to sanctions such as fine, suspension of operation and revocation of business license.

Standardisation law

In the PRC, 中華人民共和國標準化法 (the Standardisation Law of the People's Republic of China*) was promulgated by the Standing Committee of NPC on 29 December 1988 and effective as from 1 April 1989; 中華人民共和國標準化法實施條例 (the Implementing Regulation for the People's Republic of China*) was promulgated by the State Council on and effective as from 6 April 1990; 中華人民共和國標準化法條文解釋 (the Interpretations for Provisions of the Standardisation Law of the People's Republic of China*) were issued by the National Quality and Technology Administration (now known as the General Administration of Quality Supervision, Inspection and Quarantine) on and effective as from 23 July 1990 (collectively, the "**Standardisation Law**").

According to the Standardisation Law, the PRC government shall establish technical standards for the type, specifications, design, production, inspection, packaging and storage for industrial products. National standards shall be established on those technical requirements which need to be uniform throughout the country. In the absence of national standards, industry standards may be formulated where technical requirements for a certain industry need to be uniform within the PRC. Both national standards and industry standards can be categorized as compulsory standards or optional standards. Standards regarding the health or safety of human life or property or prescribed by laws and administrative regulations as compulsory shall be compulsorily followed while compliance with the remaining standards is optional. For industrial products without national or industry standards, local standards may be formulated where technical requirements for a certain industry need to be uniform within a province, autonomous region or municipality. If there are no national, industry or local standards for products produced by an enterprise, it shall formulate its own standard as a benchmark for production. Product standards of enterprises shall be filed with local standardization administrative authorities or the relevant administrative authorities.

According to 廣東省標準化監督管理辦法 (the Standardisation Supervision and Management Measures for Guangdong Province*) issued by the People's Government of Guangdong Province on 7 November 1997 and effective as from 1 December 1997, enterprises are prohibited from producing products which do not comply with these standards. A registration system is implemented for products manufactured by enterprises. An enterprise shall file the standards applied for its products at the technology supervision authority where they are located, and the technology supervision authority accepting the registration will issue a 產品執行標準證書 (product standard certificate*).

Our PRC operating subsidiary is under constant supervision by the Administration of Quality and Technology Supervision of Guangdong Province. Local standards of Guangdong Province have been applied towards the products of our Company. A 珠海市企業產品執行標準證書 (Product Implementation Standard Certificates for Enterprises in Zhuhai*) has been obtained for optical transparent ITO film, Smart Light-adjusting Products and Smart Light-adjusting Projection System.

Compulsory product certification management

On 3 September 2003, the State Council issued 中華人民共和國認證認可條例 (the Regulations of the People's Republic of China on Certification and Accreditation*) (the "**Regulations on Certification and Accreditation**") which became effective as from 1 November 2003 and which was revised on 6 February 2016 effective as from the same date. Certification refers to the assessment activities carried out by the certification bodies to testify whether the products, service, and management systems are in conformity with the relevant technical norms and their compulsive requirements or standards. According to the Regulations on Certification and Accreditation, in order to safeguard the national security, prevent fraudulent acts, protect the health or safety of human body, safeguard the life or health of animals and plant and protect the environment, no products which must be certified as prescribed by the PRC government, may leave the factory, or may be sold, imported or used in other business activities until such products have been certified and labelled with the certification marks.

According to 強制性產品認證管理規定 (the Provisions on the Administration of Compulsory Product Certification*) issued by the General Administration of Quality Supervision, Inspection and Quarantine on 3 July 2009 and effective as from 1 September 2009, with respect to products which are subject to compulsory product certification, the PRC government shall have a uniform catalogue of products, uniform compulsory technical requirements, standards and compliance review procedures, uniform certification signs and uniform fee-charging standards. The producers, distributors or importers of products listed in the catalogue shall authorise the certification institutions designated by the Certification and Accreditation Administration to certify the products produced, sold or imported by them. After the certification institution has finished the product type test and factory inspection, it may issue a certificate within 90 days from the date of acceptance of the certification authorisation if the certification requirements are satisfied.

According to the 國家認監委關於發布強制性產品認證目錄描述與界定表的公告 (Announcement of the Certification and Accreditation Administration of the People's Republic of China on Issuing Description and Table of Definitions for the Catalogue of Compulsory Product Certification*) issued by the Certification and Accreditation Administration of the PRC (the "**CNCA**") on 16 December 2014 and 關於發布強制性產品認證目錄產品與2015年HS編碼對應參考表的公告 (the Announcement on Issuing the Catalogue of Compulsory Product Certification and HS Code Reference Table for 2015*) issued by the CNCA on and effective as from 29 July 2015, architectural laminated glass produced by our PRC operating subsidiary is an industrial product which falls within the Catalogue of Compulsory Product Certification and for which uniform certification is required. Our PRC operating subsidiary has obtained the 國家強制性產品認證證書 (National Compulsory Product Certification*) issued by China Quality Certification Centre.

LAWS AND REGULATIONS ON PROPERTY

Property law

On 16 March 2007, the NPC promulgated 中國人民共和國物權法 (the Property Law of the People's Republic of China*) (the "**Property Law**"), effective as from 1 October 2007. According to the Property Law, real right refers to the exclusive right of direct control enjoyed by the holder according to law over a specific property, including ownership, usufructuary right and real rights for security. The creation, change, transfer or elimination of the real right of a real property shall become effective after it is registered according to law; it shall have no effect if it is not registered according to law except as otherwise prescribed by any law. The real rights of the PRC government, collectives, individuals and any other right holder in respect of any specific property shall be protected by law. As at the Latest Practicable Date, our PRC operating subsidiary did not own any land use right or have any real rights over any property and is therefore not subject to the Property Law.

Property lease

The Standing Committee of NPC promulgated the 中華人民共和國城市房地產管理法 (Urban Real Estate Administration Law of the People's Republic of China*) (the "**Urban Real Estate Administration Law**") on 5 July 1994, as effective from 1 January 1995 and revised on 30 August 2007 and 27 August 2009. According to the Urban Real Estate Administration Law, when leasing a property, (i) the lessor and lessee shall sign a written lease contract prescribing such provisions as the leasing term, intended use of the property, rental and repair liabilities and other rights and obligations of both parties; and (ii) carry out registration procedures to record the lease with the real estate administration department. As at the Latest Practicable Date, our PRC operating subsidiary leased a property for our production purposes and have entered into a legal and valid written lease agreement with the property owner.

LAWS AND REGULATIONS ON LABOUR SECURITY

Labour law

On 5 July 1994, the Standing Committee of NPC promulgated 中華人民共和國勞動法 (the Labour Law of the People's Republic of China*), effective as from 1 January 1995 and revised on 27 August 2009; on 29 June 2007, the Standing Committee of NPC promulgated 中華人民共和國勞動合同法 (the Labour Contract Law of the People's Republic of China*), effective as from 1 January 2008 and amended on 28 December 2012; on 3 September 2008, the State Council promulgated the Regulations on the Implementation of 中華人民共和國勞動合同法實施條例 (the Labour Contract Law of the People's Republic of China*), effective as from 18 September 2008 (collectively referred to as the " **PRC Labour Law**").

According to the PRC Labour Law, a written labour contract must be concluded to establish the employment relationship between an employer and its employee. Further, the PRC Labour Law imposes certain requirements in respect of human resources management which relate to, without limitation, the entering and termination of labour contracts with employees, remuneration and compensation payments to employees, the making of social insurance contributions as well as requirements relating to minimum wage standards and improving labour security and hygiene for employees.

As at the Latest Practicable Date, our PRC operating subsidiary has entered into written labour contracts with all of its employees and have materially complied with requirements of the PRC Labour Law.

Social insurance law

On 28 October 2010, the Standing Committee of NPC promulgated 中華人民共和國社會保險法 (the Social Insurance Law of the People's Republic of China*) (the "**Social Insurance Law**"), effective as from 1 July 2011. According to the Social Insurance Law, the PRC government shall establish a social insurance system which sets out requirements relating to basic endowment insurance, basic medical insurance, employment injury insurance, unemployment insurance and maternity insurance to guarantee that PRC citizens will have access to material assistance from the PRC government in case of old age, illness, work-related injuries, unemployment and childbirth. An enterprise in China shall complete social insurance registration procedures with social insurance institutions and pay relevant insurance contributions to relevant social insurance institutions for its employees. Our PRC operating subsidiary participates in the social insurance program in the PRC and makes relevant social insurance contributions for its employees.

Regulations on management of housing provident fund

On 3 April 1999, the State Council promulgated the 住房公積金管理條例 (Regulations on Management of Housing Provident Fund*), effective as from the date of promulgation and revised on 24 March 2002. According to the Regulations on Management of Housing Provident Fund, enterprises in China shall register with the managing centre of housing provident fund, open an housing provident fund account at a commissioned bank, and pay into the housing provident fund for their employees at the relevant managing centre of housing provident fund. Our PRC operating subsidiary participates in the housing provident fund program in the PRC and makes housing fund contributions for its employees.

HISTORY AND DEVELOPMENT

Our corporate history

Our Company was incorporated in Bermuda on 14 November 2014 in anticipation of the Listing. As at the Latest Practicable Date, our Company had two wholly-owned subsidiaries, namely Singyes HK and Singyes Applicable Materials. Singyes HK is an investment holding company incorporated in Hong Kong and Singyes Applicable Materials is our indirect wholly-owned operating subsidiary registered as a foreign investment enterprise under PRC laws.

The history of our Group can be traced back to 2010 when Singyes Applicable Materials was established by Singyes Renewable Energy, a subsidiary of Singyes Solar, and 西安鐘潤實業有限公司 (Xi'an Zhongrun Industrial Co., Ltd.*) ("**Xi'an Zhongrun**"), an Independent Third Party. Singyes Renewable Energy and Xi'an Zhongrun initially contributed capital in the amount of RMB6 million and RMB4 million, respectively, towards Singyes Applicable Materials at the time of establishment using their respective own resources. In 2011, Singyes Energy-saving, an indirect wholly-owned subsidiary of Singyes Solar acquired the 60% equity interest in Singyes Applicable Materials held by Singyes Renewable Energy. In 2012, Singyes Energy-saving and Xi'an Zhongrun contributed capital in the amount of RMB6 million and RMB4 million, respectively to Singyes Applicable Materials. In 2013, Singyes Energy-saving acquired the remaining 40% equity interests in Singyes Applicable Materials held by Xi'an Zhongrun and became the holder of its entire equity interest. In 2014, Singyes Energy-saving entered into an equity transfer agreement with Singyes HK pursuant to which its entire equity interest in Singyes Applicable Materials was sold and transferred to Singyes HK, an indirect wholly-owned subsidiary of Singyes Solar. The transfer and registration process to effect such transfer of equity interest in the PRC was completed in 2015. Before the Spin-off, Singyes Applicable Materials was one of the subsidiaries of Singyes Solar, the shares of which have been listed on the Main Board since January 2009.

For further information relating to our corporate history, please refer to the paragraph headed "Our corporate history and group structure" in this section.

History of our business and operations

Our Group commenced our business and the production and sales of ITO film in 2011. Since establishment, through research and development, we have developed downstream products which use ITO film as one of the main materials. These products can be broadly classified into, (i) Smart Light-adjusting Film; (ii) Smart Light-adjusting Glass; and (iii) Smart Light-adjusting Projection System. Our Directors believe that our Group is one of the few integrated manufacturers in the PRC which produces and sells ITO film as well as related downstream products. For further information in relation to our business, pleases refer to the section headed "Business" in this prospectus.

It was previously contemplated by the Remaining Group that the ITO and/or new materials businesses (i.e. those currently carried out by our Group) may possibly complement certain environmental protection green technology applications deployed by the Remaining Group in its curtain wall projects. However, over the course of development and implementation of the relevant technologies, it transpired that the relevant technologies are suitable for indoor or interior applications which serve a distinct purpose and are demanded by a different customer base than those relating to outdoor or external applications of the Remaining Group. As such, the products of our Group as developed by us were not intended to be used in outdoor or external curtain wall installations compared to the products of the Remaining Group.

BUSINESS DEVELOPMENT AND KEY BUSINESS MILESTONES

The following events are the key business milestones of our Group since its establishment to the present:

Year	Event
March 2010	Singyes Applicable Materials was established and commenced its business in the ITO film industry
April 2011	Commencement of production and sales of ITO film and commencement of our production line for 1,300mm width vacuum sputtering ITO film (幅寬1,300毫米真空ITO薄膜濺鍍生產線)
June 2012	Commencement of production and sales of Smart Light-adjusting Film
February 2013	Commencement of production of Smart Light-adjusting Glass
August 2013	Commencement of production and sales of 1,600mm width roll-to-roll continuous coating film (幅寬1,600毫米卷對卷連續式塗布調光膜)
June 2014	Commencement of production of 2,000mm width roll-to-roll continuous coating film (幅寬2,000毫米卷對卷連續式塗布調光膜)
August 2015	Commencement of production and sales of Smart Light-adjusting Projection System
October 2015	Gained recognition in the PRC and obtained certificate from PRC government authorities as a "High-tech Enterprise of Guangdong Province"
October 2015	Commencement of production line for 2,100mm width vacuum sputtering ITO film (幅寬2,100毫米真空ITO薄膜濺鍍生產線)
June 2016	Establishment of product reliability laboratory (產品可靠性實驗室)
November 2016	Commencement of production of ingredients for super-transparent light-adjusting films (高透調光膜)

PRE-IPO INVESTMENTS

On 1 March 2016, our Company entered into (i) a subscription agreement with Kunlun Holdings Group Limited ("**Kunlun Holdings**") pursuant to which it subscribed in cash for approximately 6.0% of the then issued share capital of our Company; and (ii) a subscription agreement with Raton Race Investments Limited ("**Raton Race**" together with Kunlun Holdings, the "**PE Investors**") pursuant to which it subscribed in cash for approximately 4.0% of the then issued share capital of our Company (the "**Pre-IPO Investments**"). The consideration payable by each of the PE Investors in respect of their respective subscription of Shares under these subscription agreements were determined after an arm's length negotiation and were settled in full by cash. The following table sets out the summary of the Pre-IPO Investments:

Name of PE Investor:	Kunlun Holdings	Raton Race
Date of agreement:	1 March 2016	1 March 2016
Subject of agreement:	Subscription to approximately 6.0% of the then issued share capital of our Company	Subscription to approximately 4.0% of the then issued share capital of our Company
Amount of consideration paid:	US$1,188,000	US$792,000
Basis of determination of consideration:	On an arm's length basis having regard to the net asset value as at 31 December 2015 and the net profit of our Company for the year ended 31 December 2015	On an arm's length basis having regard to the net asset value as at 31 December 2015 and the net profit of our Company for the year ended 31 December 2015
Date of completion and payment of consideration:	2 March 2016	29 April 2016
Investment cost per Share *(Note)*:	Approximately HK$0.43	Approximately HK$0.43
Discount to the Offer Price:	Approximately 57.0%	Approximately 57.0%
Shareholding in our Company upon Listing *(Note)*:	Approximately 4.4%	Approximately 3.0%
Special rights:	Nil	Nil
Lock-up:	The relevant Shares are subject to a lock-up period of six months from the Listing Date	The relevant Shares are subject to a lock-up period of six months from the Listing Date

Use of proceeds	Proceeds from the above subscription agreements are for working capital purposes including but not limited to procurement of materials, technology research and development and sales of products. As of the Latest Practicable Date, the proceeds have been fully utilized.
Strategic benefits from the Pre-IPO investment	Our Directors are of the view that our Company can benefit from the Pre-IPO Investors' commitment to our Company as their investment demonstrates their confidence in the operations of our Group and services as an endorsement of our Company's performance, strength and prospects.
Public float	The Shares held by Kunlun Holdings and Raton Race will be counted as part of the public float upon Listing as (i) each of them is not a connected person of our Company; (ii) the acquisitions of their respective equity interests in the Shares were not financed directly or indirectly by any connected person of our Company; and (iii) each of them is not accustomed to take instructions from any connected person in relation to the acquisitions, disposals, voting or other disposition of securities of our Company registered in their names or otherwise held by them.

Note: On the basis of the enlarged share capital of our Company immediately following the Share Offer and the Capitalisation Issue and assuming no exercise of the Offer Size Adjustment Option.

Kunlun Holdings was incorporated in Hong Kong as a limited liability company on 2 March 2015 and is wholly and beneficially owned by Ms. Yang Ying Fei who is an individual investor. Kunlun Holdings is principally engaged in investment activities. To the best of our Directors' knowledge, Kunlun Holdings did not have any past or present relationship or any agreement or arrangement (other than in respect of the Pre-IPO Investments) with our Group, Shareholders, Directors or senior management or any of their respective associates and was an Independent Third Party as at the Latest Practicable Date.

Raton Race was incorporated in the British Virgin Island as a limited liability company on 19 January 2004 and is wholly and beneficially owned by Mr. Tang Tao who is an individual investor. Raton Race is principally engaged in providing financial consulting services. Raton Race was a pre-IPO investor of Singyes Solar, our parent company and one of our Controlling Shareholders. Except as disclosed above, to the best of our Directors' knowledge, Raton Race did not have any other past or present relationship or any agreement or arrangement with our Group, Shareholders, Directors or senior management any of their respective associates (other than in respect of the Pre-IPO Investments) and was an Independent Third Party as at the Latest Practicable Date.

To the best of our Director's knowledge after due and careful enquiry, as at the Latest Practicable Date, Kunlun Holdings and Raton Race did not have any past or present relationship or any agreement or arrangement with each other and were independent of each other.

Sole Sponsor's confirmation

Given that (i) no special rights have been granted to the PE Investors in respect of the Pre-IPO Investments; (ii) the Directors have confirmed that the terms of the investments by the PE Investors (including the consideration) were determined on arm's length basis with the consideration payable determined with reference to the net profit of our Company for the year ended 31 December 2015 and the net asset value of our Company as at 31 December 2015; and (iii) the consideration payable by the PE Investors under the Pre-IPO Investments have been settled more than 28 clear days before the date of submission of the Listing application, the Sole Sponsor is of the view that the Pre-IPO Investments by the PE Investors are in compliance with the "Interim Guidance on pre-IPO Investments" (HKEx-GL29-12) and "Guidance on pre-IPO Investments" (HKEx-GL43-12) issued by the Stock Exchange.

PROPOSED SPIN-OFF OF THE GROUP

Please refer to the section "The Spin-off and the Preferential Offering" of this prospectus for the reasons and benefits of the Spin-off.

OUR CORPORATE HISTORY AND GROUP STRUCTURE

Details of the corporate history of our Company and our subsidiaries are set out below:

Our Company

Our Company was incorporated in Bermuda on 14 November 2014 as an exempted company with limited liability. Our Company was established by Top Access to act as the holding company and potential listing vehicle of our Group. Since November 2014, our Company has been the legal and beneficial holder of the entire issued share capital of Singyes HK and is the holding company of our Group.

Singyes HK

Singyes HK was incorporated in Hong Kong on 28 November 2014 as a limited liability company on 28 November 2014. Upon incorporation, one subscriber share was allotted and issued fully paid to an initial subscriber who was an Independent Third Party. On the same day, such subscriber share was transferred to our Company at a nominal consideration of US$1.0 following which Singyes HK became a wholly-owned subsidiary of our Company.

Our Company incorporated Singyes HK as a holding company to take up the entire registered capital of Singyes Applicable Materials. During the Track Record Period and up to the Latest Practicable Date, Singyes HK was an investment holding company.

Singyes Applicable Materials

Singyes Applicable Materials was established in the PRC on 31 March 2010 as a limited liability company by Singyes Renewable Energy and Xi'an Zhongrun with an initial registered capital of RMB20 million. At the time of its establishment, Singyes Applicable Materials was legally and beneficially owned as to 60% by Singyes Renewable Energy and 40% by Xi'an Zhongrun through their respective capital contribution in the amount of RMB6.0 million and RMB4 million, respectively into Singyes Applicable Materials.

On 1 March 2011, Singyes Renewable Energy and Singyes Energy-saving entered into an equity transfer agreement, pursuant to which Singyes Renewable Energy transferred its 60% equity interest in Singyes Applicable Materials to Singyes Energy-saving, at a consideration of RMB12.0 million which was fully settled on 15 June 2012.

On 27 March 2012, Singyes Energy-saving and Xi'an Zhongrun contributed capital in the amount of RMB6.0 million and RMB4.0 million, respectively into Singyes Applicable Materials. As a result, the total paid-up capital of Singyes Applicable Materials became RMB20.0 million.

On 7 June 2013, Singyes Energy-saving and Xi'an Zhongrun entered into an equity transfer agreement, pursuant to which Xi'an Zhongrun transferred its 40% equity interest in Singyes Applicable Materials to Singyes Energy-saving, at a consideration of RMB8.0 million, which was determined with reference to the registered capital of Singyes Applicable Materials at the time of transfer and the consideration was fully settled on 24 March 2015.

On 17 November 2014, the registered capital of Singyes Applicable Materials was increased from RMB20.0 million to RMB50.0 million, with the increase in registered capital of RMB30.0 million contributed by Singyes Energy-saving. As a result, the total paid-up capital of Singyes Applicable Materials became RMB50.0 million.

On 6 December 2014, Singyes Energy-saving and Singyes HK entered into an equity transfer agreement, pursuant to which Singyes Energy-saving transferred its entire equity interest in Singyes Applicable Materials to Singyes HK, at a consideration of RMB55,161,300, which was determined with reference to the net asset value of Singyes Applicable Materials at the time of transfer and the consideration was fully settled on 12 February 2015.

On 6 February 2015, Singyes Applicable Materials was registered as a foreign investment enterprise under the PRC laws with a total investment capital of RMB125.0 million and a registered capital of RMB50.0 million.

On 8 April 2016, the registered capital of Singyes Applicable Materials was increased from RMB50.0 million to RMB62.5 million, with the increase in registered capital of RMB12.5 million contributed by Singyes HK. The total paid-up capital of Singyes Applicable Materials as at the Latest Practicable Date was RMB62,500,000.

Singyes Applicable Materials is our key PRC operating subsidiary and it is principally engaged in research and development of, and manufacture and sale of ITO film, Smart Light-adjusting Products and Smart Light-adjusting Projection System.

Singyes Solar

Singyes Solar is an exempted company incorporated in Bermuda on 24 October 2003 with limited liability and the shares of which are listed on the Main Board (stock code: 00750). Singyes Solar is a Controlling Shareholder of our Company.

For further details regarding Singyes Solar, please refer to the section headed "Relationship with Controlling Shareholders – Background of our Controlling Shareholders" in this prospectus.

REORGANISATION

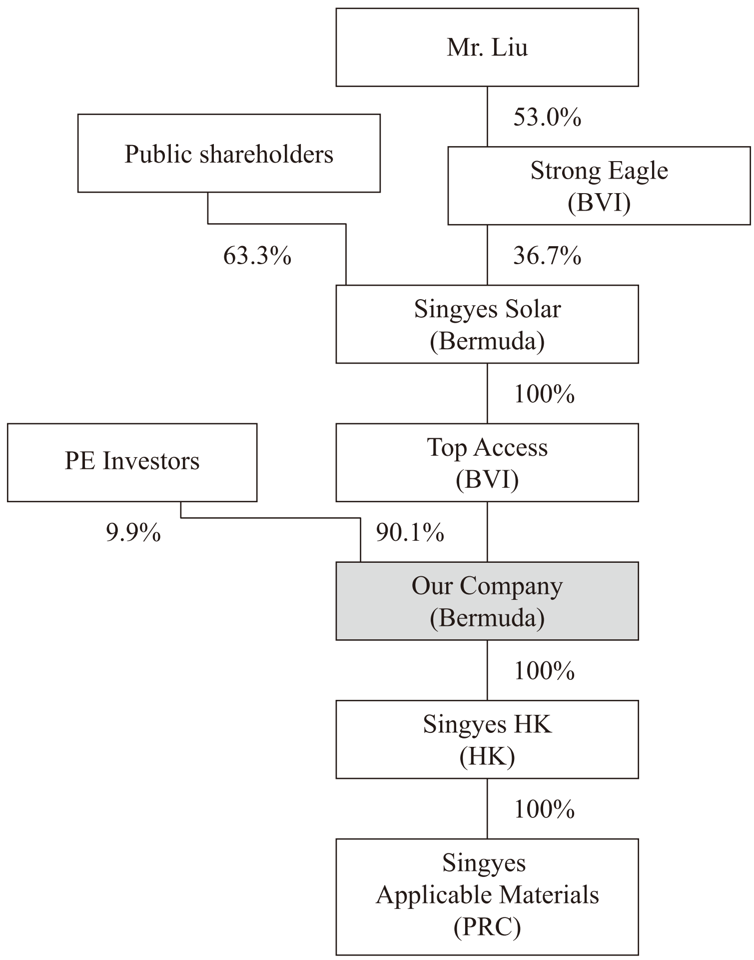
The Reorganisation of our Group in preparation for the Listing involved (i) the incorporation of our Company and Singyes HK as indirect and direct investment holding companies of Singyes Applicable Materials in November 2014; (ii) the acquisition of Singyes Applicable Materials by Singyes HK from Singyes Energy-saving in December 2014; and (iii) the Capitalisation Issue (as described in the paragraph headed "Capitalisation Issue" in this section of the prospectus).

CAPITALISATION ISSUE

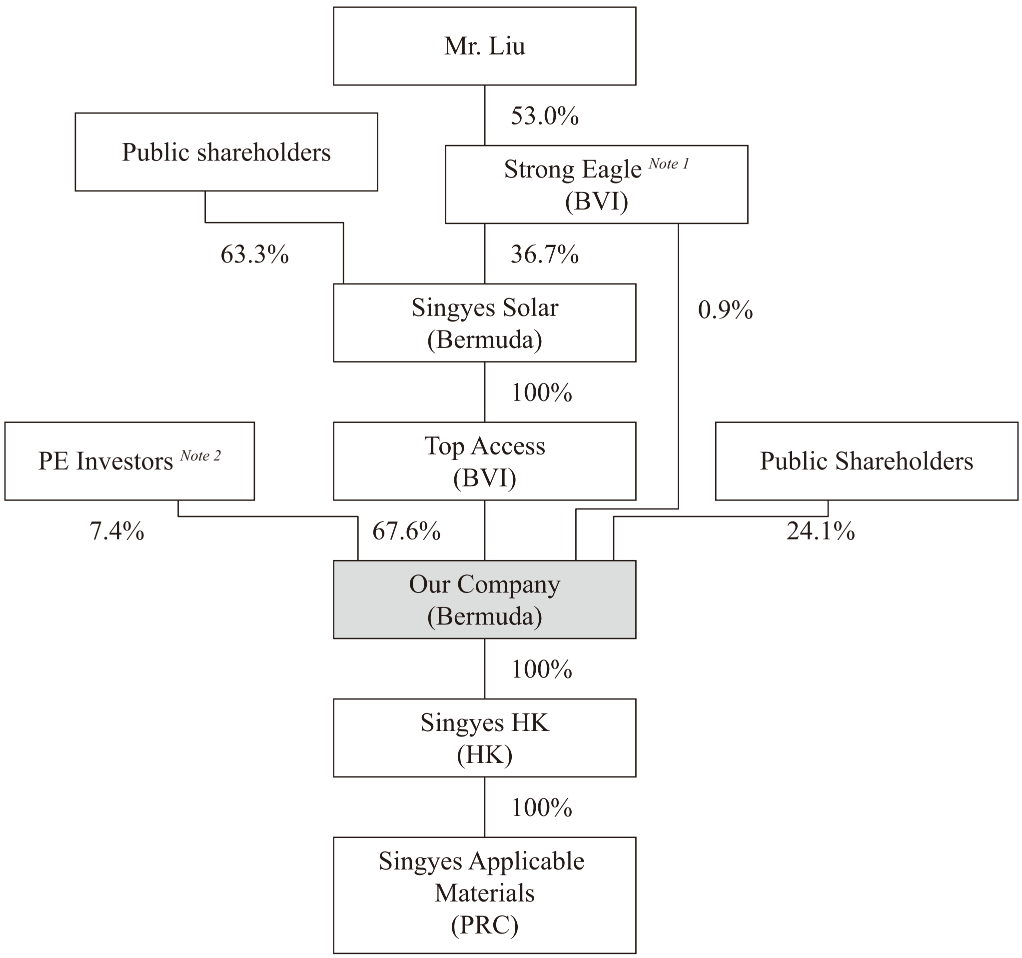
Pursuant to the resolutions passed by our Shareholders on 23 June 2017, our Directors were authorised to capitalise an aggregate amount of US$3,599,889 standing to the credit of the share premium of our Company and to appropriate such amount as capital to pay up in full at par 359,988,900 Shares for allotment and issue to the persons whose names appear on the register of members of our Company at the close of business on 23 June 2017, in proportion to their then existing shareholdings in our Company (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share), each carrying the same rights in all respects with the then existing issued Shares.

CORPORATE AND SHAREHOLDING STRUCTURE OF OUR GROUP IMMEDIATELY BEFORE AND AFTER COMPLETION OF THE SHARE OFFER AND THE CAPITALISATION ISSUE

The chart below illustrates the corporate and shareholding structure of our Group immediately before completion of the Share Offer and the Capitalisation Issue:



Set out below is the corporate and shareholding structure of our Group immediately after completion of the Share Offer and the Capitalisation Issue (assuming that the Offer Size Adjustment Option is not exercised and assuming that Strong Eagle will exercise its Assured Entitlement and subscribe under the Preferential Offering in full):



Note:

1. Strong Eagle is legally and beneficially owned by Mr. Liu, Mr. Sun, Mr. Xie Wen, Mr. Xiong Shi and Mr. Zhuo Jianming, as to 53%, 15%, 13%, 10% and 9% respectively.

2. The PE Investors will be public Shareholders.

OVERVIEW

Our Group carries out research and development on, and manufactures and sells ITO film, Smart Light-adjusting Film, Smart Light-adjusting Glass and Smart Light-adjusting Projection System.

Our 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.

Our 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.

According to the F&S Report, Singyes Applicable Materials, our key operating subsidiary, achieved the following ranking in the ITO film, Smart Light-adjusting Products and Smart Light-adjusting Projection System markets in the PRC in terms of market share by revenue:

	Year ended 31 December	
	2014 ranking (market share)	**2015 ranking (market share)**
ITO film	9 (2.4%)	8 (2.1%)
Smart Light-adjusting Products (Smart Light-adjusting Film and Smart Light-adjusting Glass)	2 (20.1%)	1 (20.4%)
Smart Light-adjusting Projection System	N/A *(Note)*	1 (51.2%)

Note: We did not participate in the Smart Light-adjusting Projection System market in the year ended 31 December 2014.

Our entire production process is carried out at our production base situated at Levels 1 and 2 of Factory Building No. 7 of Zhuhai Xingye New Energy and Industrial Park, 9 Jinzhu Road, Gaoxin district, Zhuhai city, Guangdong province of the PRC. Our production facilities comprise offices and factories and have a gross floor area of approximately 5,740 sq.m..

We primarily sell our products to the domestic PRC market and have commenced exporting our products to overseas markets since 2015. We have built a strong customer base in the PRC that includes (i) mainly touch-screen device manufacturers in respect of ITO film for applications relating to automobile navigation systems, industrial equipment, GPS systems and smart phones; (ii) mainly contractors for developers and construction companies in respect of Smart Light-adjusting Products; and (iii) mainly construction companies and users (such as commercial advertisers and marketing agencies) for commercial purposes in respect of Smart Light-adjusting Projection System.

We experienced growth during the Track Record Period. Our revenue for the year ended 31 December 2014, 2015 and 2016, was approximately RMB44.8 million, RMB60.5 million and RMB90.9 million respectively, representing an increase of approximately 35.0% from the year ended 31 December 2014 to the year ended 31 December 2015 and an increase of approximately 50.2% from the year ended 31 December 2015 to the year ended 31 December 2016 respectively. Our profit after tax for the years ended 31 December 2014, 2015 and 2016 were approximately RMB389,000, RMB7.7 million and RMB6.4 million respectively. For further information, please refer to the section headed "Financial information — Material adverse change" of this prospectus. For the years ended 31 December 2014, 2015 and 2016, our gross profit margin was 31.9%, 39.5%, and 38.3% respectively.

OUR COMPETITIVE STRENGTHS

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. According to the F&S Report, Singyes Applicable Materials, our key operating subsidiary, was ranked as the leading manufacturer of Smart Light-adjusting Products and Smart Light-adjusting Projection Systems in the PRC in terms of market share by revenue for the year ended 31 December 2015. Our Directors believe that our leading market position and the success of our business are attributable to the following competitive strengths:

We are the only manufacturer of ITO film and related downstream products in the PRC which is fully vertically integrated

Our Group is present in all stages of the industry value chain (from research and development and production of Smart Light-adjusting Products and Smart Light-adjusting Projection Systems to the provision of pre-sales, during sales and after-sales services of our products). Furthermore, according to the F&S Report, our Group is the only manufacturer in the PRC which relies on its own supply of ITO film (a major component used in manufacturing Smart Light-adjusting Products) for the production of downstream products as at the Latest Practicable Date.

This full vertical integration enables our Group to benefit from (i) effective cost control, as we rely on our own supply of ITO film and therefore incur lower procurement cost than sourcing ITO film from suppliers; (ii) operational efficiency, by decreasing logistics and administrative expenses and time spent by personnel sourcing and procuring ITO film which also enables our management to focus on value creation for our Group; (iii) greater ability to exert control over the production of ITO film which is suited for the production of our downstream products; and (iv) enhanced ability to supervise and control the quality of ITO film which is produced in-house, meaning we can react to any deficiencies and/or inadequacies in an efficient manner. Our Directors believe that such vertical integration enhances our competitiveness and market position.

We are a pioneer in the ITO film production market in the PRC

As at 6 September 2016, we were the only manufacturer in the PRC with the ability to continuously manufacture ITO film and Smart Light-adjusting Film with a roll width of 2,100mm. Our Directors believe that our ability to produce large size ITO films gives us a strong competitive advantage over our competitors as our ITO films have broader applications than those produced by our competitors. In particular, our ITO film gives our customers more flexibility when manufacturing products to cater for their end-customer's needs, therefore enhancing product performance and popularity as well as cost-efficiency.

With cutting-edge roll-to-roll automated ITO film production equipment capable of producing larger size films as well as other machinery for lamination, solidification and laser-cutting purposes, we are able to produce ITO films tailored to the needs of our customers. Our Directors believe that our distinct ITO film production capability leads to increased product differentiation compared to those produced by our competitors, and results in demand for our ITO film.

We have strong research and development capabilities

We believe that we have strong research and product development capabilities. To differentiate our products from those of our competitors in the Smart Light-adjusting Products and Smart Light-adjusting Projection System markets, we devote resources and effort to continually optimise and enhance the design and functions of our products as well as explore the possibility of introducing new applications to existing products.

As at 31 December 2016, our research and development team comprised 14 designated engineers and technicians (all of whom have tertiary or above qualification in engineering, material science, automation and other related areas) who work full-time at our applied materials research centre as well as collaborate with other professional staff for the development of new products as well as enhancement of existing products.

Our continuous research and development efforts (which include cooperation with research institutes and universities in the PRC and abroad) have led to:

(i) the successful development of technologies which have improved the performance of our products in terms of functionality and application, quality, environmental-friendliness and energy efficiency. Some of the technology we have successfully developed have been patented in the PRC and/or published in industry-related periodicals;

(ii) the recognition of our key PRC operating subsidiary, Singyes Applicable Materials, as a high-tech enterprise by PRC government authorities; and

(iii) Singyes Applicable Materials becoming a leading drafting party of national and regional industry standards in the PRC for Smart Light-adjusting Products.

Our Directors believe that our research capability and expertise is particularly important to our business as a market participant of the high-tech sector where target customers are constantly in search of the most technologically advanced and quality products and are conscious of keeping up with the market trend.

For further information regarding our research capability, patents, technological achievements and industry recognition, please refer to the paragraphs headed "Awards, accreditations and memberships" and "Research and Development" in this section of the prospectus.

We have a professional and experienced senior management team

We have a devoted and professional senior management team comprising members who have obtained qualifications relevant to, and experience in, product development and application as well as glass manufacturing. Our team is led by Mr. Sun, one of our executive Directors and our chief executive officer of our Company, who is responsible for overseeing the operations of our Group while Mr. Liu, our Chairman and non-executive Director, is responsible for formulating and executing our Group's overall business strategies and policies. Both Mr. Sun and Mr. Liu are certified engineers with over a decade of experience in product development. Our senior management has a proven track record and execution capability which have led to successful implementation of plans and strategies leading to our current dominant market position in terms of revenue in the Smart Light-adjusting Products and Smart Light-adjusting Projection System markets in the PRC. We believe that under their leadership, we are well positioned to effectively compete in our markets and accomplish our long-term goals.

The other members of our Board and senior management team are also qualified engineers and professionals who are able to identify market opportunities and execute and implement the plans and strategies of our Group. Our Directors believe that the financial results of our Group over the Track Record Period and our success are attributable to the competence and experience of our senior management team and that, under their leadership, our Group will be able to sustain and/or consolidate its market position in the PRC as well as accomplish our long-term goals.

Please refer to the section headed "Directors, senior management and employees" of this prospectus for further details of our Directors and senior management.

We have adopted stringent quality control mechanisms to control the quality of our products

We place emphasis on our product quality. We have adopted a management system to ensure strict quality control of our products at various stages of our manufacturing process which involves carrying out procedures during procurement of raw materials, inspection of incoming raw materials, inspection during the manufacturing process, inspection of finished products and product packaging as well as testing and inspection following on-site installation.

We have been awarded "ISO9001:2008 Quality Management System" certification in relation to our quality control management system. We believe our stringent quality control over our whole manufacturing process reduces occurrence of product defects and raises our customers' confidence in our products.

Our Directors believe that our commitment to deliver quality products to our customers is key to maintaining our reputation as a reliable supplier of our products in the PRC. This has (i) enabled us to maintain a strong and growing customer base (which includes major touch-screen device manufacturers, sub-contractors of building or renovation projects of reputable domestic and international hotel brands and chains, commercial advertisers and marketing agencies as well as PRC government authorities); and (ii) resulted in a growth in revenues over the Track Record Period.

OUR BUSINESS STRATEGIES

Improving our production efficiency and product quality in order to continue to maintain our market position in the PRC

Our management team works closely with our engineers and different departments (including the technical department, production department and research and development department) on an ongoing basis with a view to improving production efficiency as well as product quality. In particular, assessments, reviews and testing are carried out at various stages of our production process as well as on different materials used in the production of our products in order to identify areas for potential enhancement and improvement. Our production, technical and research and development departments also provide feedback on product and/or production related issues and provide expert views on how developments in technical know-how can be applied towards upgrading our existing manufacturing capabilities, streamlining production processes, enhancing operational efficiency and improving our products.

Enhancement plans (detailing project objectives, technical and testing parameters and implementation and follow-up procedures) are devised from time to time in respect of enhancement projects which are approved and supervised by designated senior management personnel. A project execution team composed of personnel from one or more relevant departments is then formed with the goal of achieving the objectives of each project.

Our Directors believe these enhancement projects drive us to continue to improve our production efficiency and product quality which is key for maintaining our leading position in the markets in which we operate. We will therefore continue to devote resources and efforts towards these enhancement projects.

Continue to devote of resources to research and development

We believe that our ability to innovate and continually improve is driven by research and development which is important in the advanced technology sector given the evolving and increasing demands of target customers.

We intend to continue to devote resources to research and development with a view to, *inter alia*:

(i) improving our production process (including reducing costs and improving operational efficiency through automation or otherwise);

(ii) exploring and testing new materials for use and/or integration into existing products and ways to improve the performance and features of our products in terms of functionality and applications, quality, environmental-friendliness and energy efficiency; and

(iii) broadening our existing product range to serve different sectors and purposes.

To achieve this goal, we intend to recruit additional qualified and experienced staff to our research and development team as well as to continue our collaboration efforts with universities, research institutes and high-tech companies in the PRC as well as overseas.

Through the continuous improvement and enhancement of our products and our production process which is driven by our research and development efforts, we hope to capitalise on opportunities arising from the expected increase in demand for ITO film related downstream products which we believe will be key in delivering growth to our sales revenue in the future.

Continuing to develop our business in line with the PRC government's policy incentives

We plan to continue to develop technologically advanced and environmental-friendly products in line with the economic development initiatives of《國民經濟和社會發展第十三個五年規劃綱要（2016-2020年）》(the Thirteenth Five-Year Plan for National Economic and Social Development (2016-2020)*) ("**13th Five Year Plan**") which outlines the policy framework, priorities and economic and social development goals of the PRC government for the years from 2016 to 2020.

One of the initiatives of the PRC government under the 13th Five Year Plan is to promote energy conservation and environmental protection in the industrial, construction and other sectors as well as foster the development of emerging strategic sectors, such as the smart materials sector. In particular, the PRC government aims to reduce energy consumption (currently expected to grow at a CAGR of 5.5% from 2016 to 2020) by encouraging and stimulating development of eco-friendly products through the provision of financial incentives.

To take advantage of financial incentives offered by the PRC government, we endeavour to ensure that our products are compliant with the energy-saving and emission-reduction policies of the PRC government. For example, our Smart Light-adjusting Projection System (which can be used as part of a window display and signboards for marketing and advertising purposes) are generally more efficient in terms of energy consumption compared to traditional display terminals such as LED screens. Through such efforts, Singyes Applicable Materials, our operating subsidiary, has been recognised as a high-tech enterprise by the Guangdong provincial government of the PRC and enjoys a preferential enterprise income tax rate of 15% (compared to the statutory enterprise income rate of 25%) in the PRC. We intend to continue to take advantage of, and we engage external consultants from time to time to assist with our applications for, entitlement to such tax and other financial incentives.

Expanding presence in overseas markets

Since the commencement of our business and over the Track Record Period, our marketing and sales efforts have been focused on the domestic market in the PRC. Our intention was to mature our production processes and technology and solidify our reputation and position in the domestic market prior to expanding into overseas markets.

Leveraging on our current market position as a leading producer of Smart Light-adjusting Products and Smart Light-adjusting Projection Systems in the PRC in terms of market share, we intend to gradually increase our presence in various overseas markets. To this end, we will increase our sales and marketing efforts in target markets through participating in industry conventions and exhibitions, meeting with potential customers, marketing our products through various online trading platforms, and expanding our overseas network through cooperation with overseas agencies. As at the Latest Practicable Date, we have already received orders from some non-PRC customers and we aim to increase our sales to overseas markets. Currently our overseas target markets include France, India, Thailand, Israel, UAE and Hong Kong. We will continue to seek access to appropriate markets following market research and evaluation of factors such as level of existing and anticipated market demand, supply and penetration, pricing, and other competition and disposable income levels among consumers in these markets.

OUR BUSINESS MODEL

We principally:

(i) manufacture and sell ***ITO film***, which 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; and

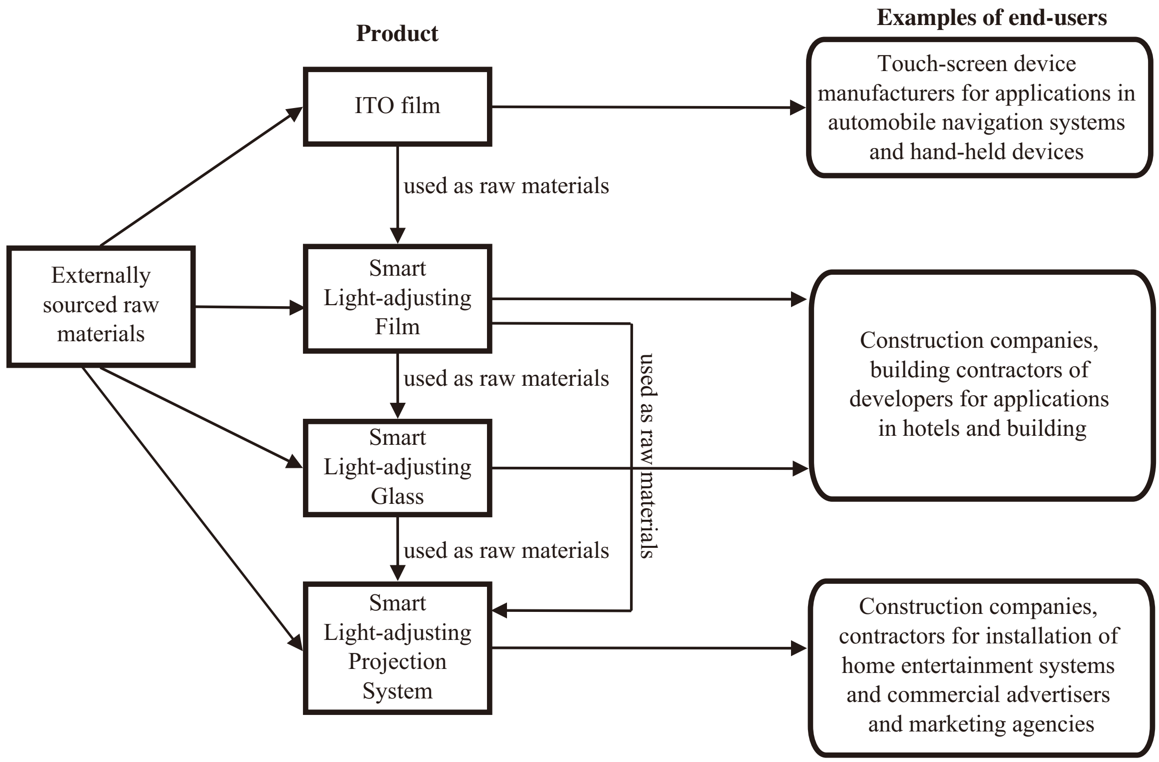
(ii) carry out the research and development of, and manufacture and sell:

- ***Smart Light-adjusting Film***, which is made from the integration of ITO film (which we manufacture in-house) and PDLC. 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***, which 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; and

- ***Smart Light-adjusting Projection System***, which makes use of project technology to project visual images onto projection screens. Such projection screens are manufactured using Smart Light-adjusting Products which is opaque when no power source is applied to it.

To maintain a cost-efficient operating structure, we have adopted a vertically integrated business model which gives us more control over our production. Our vertical integration commences from the production of ITO film, which may be directly sold to customers or subsequently processed into Smart Light-adjusting Film, Smart Light-adjusting Glass and Smart Light-adjusting Projection Systems through the application of various technologies and production processes. As at the Latest Practicable Date, our Group is the only manufacturer in the PRC which relies on its own supply of ITO film (a major component for the manufacturing of Smart Light-adjusting Products) for the production of downstream products. For further information on the benefits of on Group's vertical integration, please refer to the paragraph headed "Our competitive strengths — We are the only manufacturer of ITO film and related downstream products in the PRC which is fully vertically integrated" in this section of this prospectus.



In addition to the research and development, manufacture and sales of ITO film and related downstream products, we may also receive orders for components, semi-finished goods and accessories (such as projectors, glass panels and power switches) used for the production of our key products which may be produced in-house and/or sourced from our suppliers. In particular, we have received a number of orders for projectors sourced from our suppliers (which we used in the production of our Smart Light-adjusting Projection Systems) over the year ended 31 December 2016. These components, semi-finished goods and accessories were sold at a price determined through our pricing policy as described in the paragraph headed "Marketing" in this section of the prospectus.

The following table sets out our revenue by product type during the Track Record Period:

	Year ended 31 December					
Product type	**2014**		**2015**		**2016**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
ITO film	18,159	40.5	18,354	30.4	13,729	15.1
Smart Light-adjusting Film	7,200	16.1	18,621	30.8	18,882	20.8
Smart Light-adjusting Glass	18,566	41.4	8,360	13.8	26,492	29.1
Smart Light-adjusting Projection System	—	—	13,621	22.5	23,788	26.2
Other *(Note)*	880	2.0	1,521	2.5	7,996	8.8
Total	44,805	100	60,477	100	90,887	100

Note: Other revenues include sales generated from the sale and resale of components, semi-finished goods and accessories relating to and/or used in our key products such as projectors, glass panels and power switches.

The following table sets out our gross profit by product type during the Track Record Period:

Product type	Year ended 31 December					
	2014		2015		2016	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
ITO film	3,115	21.8	3,663	15.3	3,222	9.3
Smart Light-adjusting Film	3,993	28.0	9,685	40.5	10,713	30.7
Smart Light-adjusting Glass	7,282	51.0	2,271	9.5	7,902	22.7
Smart Light-adjusting Projection System	—	—	7,907	33.1	10,673	30.7
Other *(Note)*	(109)	(0.8)	370	1.6	2,293	6.6
Total	14,281	100	23,896	100	34,803	100

Note: Other revenues include sales generated from the sale and resale of components, semi-finished goods and accessories relating to and/or used in our key products such as projectors, glass panels and power switches.

The following table sets out the breakdown of production volume of our products by external sales and internal use over the Track Record Period:

	For the year ended 31 December 2014				For the year ended 31 December 2015				For the year ended 31 December 2016			
	Purchase from third parties	Production volume	Volume by external sales	Volume by internal use	Purchase from third parties	Production volume	Volume by external sales	Volume by internal use	Purchase from third parties	Production volume	Volume by external sales	Volume by internal use
	(sq.m./set)	*(sq.m./set) (Note 2)*	*(sq.m./set)*	*(sq.m./set)*	*(sq.m./set)*	*(sq.m./set) (Note 2)*	*(sq.m./set)*	*(sq.m./set)*	*(sq.m./set)*	*(sq.m./set) (Note 2)*	*(sq.m./set)*	*(sq.m./set) (Note 1)*
ITO film	0.0	193,865.2	138,529.0	48,098.2	1,581.6	223,335.2	162,138.0	70,381.6	812.8	285,037.6	129,866.6	124,479.9
Smart Light-adjusting Film *(Note 3)*	542.0	20,008.7	6,984.0	12,280.1	0.0	33,621.0	24,500.0	7,601.2	8,980.7	40,527.2	28,471.6	19,369.2
Smart Light-adjusting Glass	0.0	12,405.2	11,062.0	0.0	16.9	7,629.7	6,220.0	641.9	2.7	21,242.5	22,196.1	143.0
Smart Light-adjusting Projection System	Our Company has not commenced production				0.0	220.0	220.0	0.0	0.0	471.0	471.0	0.0

Notes:

1. Use of "sq.m." if referring to ITO film, Smart Light-adjusting Film and Smart Light-adjusting Glass; use of "set" if referring to Smart Light-adjusting Projection System.

2. "Production volume" includes production for internal use and external uses as well as production for inventory (used for external sales; as samples; for research and development; or scrapped).

3. Actual production volume is calculated based on product size reduced to the measurement required by customers.

Our Group's policy in allocating self-produced products for internal use and external use

ITO films manufactured for the purpose of external sales are normally produced in advance based on our Group's assessment of potential demand from external parties at the beginning of the year (based on such factors as historical demand and communication with customers). ITO films which are manufactured for the purpose of internal use (i.e. to be used as raw materials for downstream products) would normally be produced on an on-demand basis following receipt of orders placed by customers for ITO film and/or downstream products. At present, as our Group has sufficient capacity in its ITO film production lines to satisfy all customer orders, it is not necessary to prioritise the allocation of ITO films between internal use and external sales.

The following table sets out the breakdown of the average self-produced cost and purchase cost of our products over the Track Record Period:

	For the year ended 31 December					
	2014		2015		2016	
	Average production cost *(RMB)*	Average purchase cost *(RMB)*	Average production cost *(RMB)*	Average purchase cost *(RMB)*	Average production cost *(RMB)*	Average purchase cost *(RMB)*
ITO film	76.3/sq.m.	N/A	52.7/sq.m.	89.7/sq.m.	39.8/sq.m.	65.8/sq.m.
Smart Light-adjusting Film	579.4/sq.m.	1,449.4/sq.m.	337.0/sq.m.	N/A	278.3/sq.m.	755.4/sq.m.
Smart Light-adjusting Glass	822.9/sq.m.	1,376.0/sq.m.	771.9/sq.m.	921.3/sq.m.	738.4/sq.m.	1,456.3/sq.m.
Smart Light-adjusting Projection System	Our Company has not commenced production		24,004.3/set	N/A	17,374.6/set	N/A

Note: "N/A" denotes our Company did not purchase that particular item during the relevant period.

OUR PRODUCTS

We currently manufacture and sell four main types of products, namely (i) ITO film; (ii) Smart Light-adjusting Film; (iii) Smart Light-adjusting Glass; and (iv) Smart Light-adjusting Projection System. We also sell and/or resell certain components, semi-finished goods and accessories which are used in our production of the above products.

ITO film

Indium-tin oxide (also known as ITO) is sprayed on glass, plastics and LED screens to enhance conductivity and transparency and to reduce the transmission of harmful electric radiation, ultraviolet and infrared light.

ITO film is manufactured by first depositing a layer of silicon dioxide (SiO2) coating on the flexible PET film substrate, then spraying a transparent conductive ITO film on top; it is then covered with a layer of protective film before it is finally cut up into designated size.

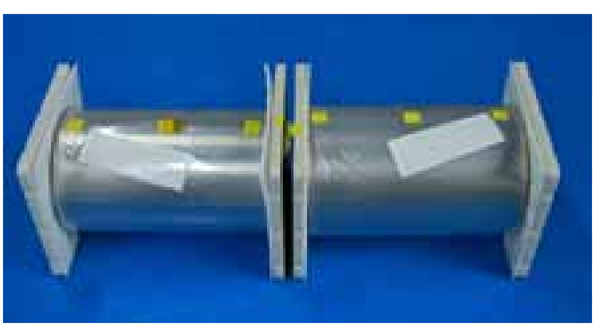
ITO film is widely used in industries like mobile phones, LCD televisions, construction-use power-saving windows, solar batteries, information communication, laptops, digital devices, electrical car products and medical devices.

We commenced our production and sales of ITO film in 2011. We manufacture ITO film based on the specifications and requirements (such as surface resistance, dimensions and shapes) of our customers through our production line involving the use of roll-to-roll automated ITO film production equipment as well as production techniques and processes which are managed and monitored under our quality control systems and procedures. Our ITO film is transparent to visible light, highly reflective to infrared lights, and has good conductivity.

In October 2015, we deployed a roll-to-roll ITO sputtering machine with a width of 2,100mm which enables us to manufacture ITO film as wide as two meters. As the supply of extra-wide ITO film is still rare in the PRC market, our ability to produce such films (i) gives us a competitive advantage as our ITO film has broader applications than comparable products produced by our competitors and gives our customers more flexibility when manufacturing products to cater for their end-customer's needs; and (ii) allows us to compete in the construction and large screen display systems markets.

Our ITO film customers are mainly touch-screen device manufacturers. For the years ended 31 December 2014, 2015 and 2016, we sold approximately 138,529 sq.m., 162,138 sq.m. and 129,867 sq.m., of ITO film to our customers respectively, with an average selling price of approximately RMB131, RMB113 and RMB106 per sq.m., respectively.

Finished products of ITO film

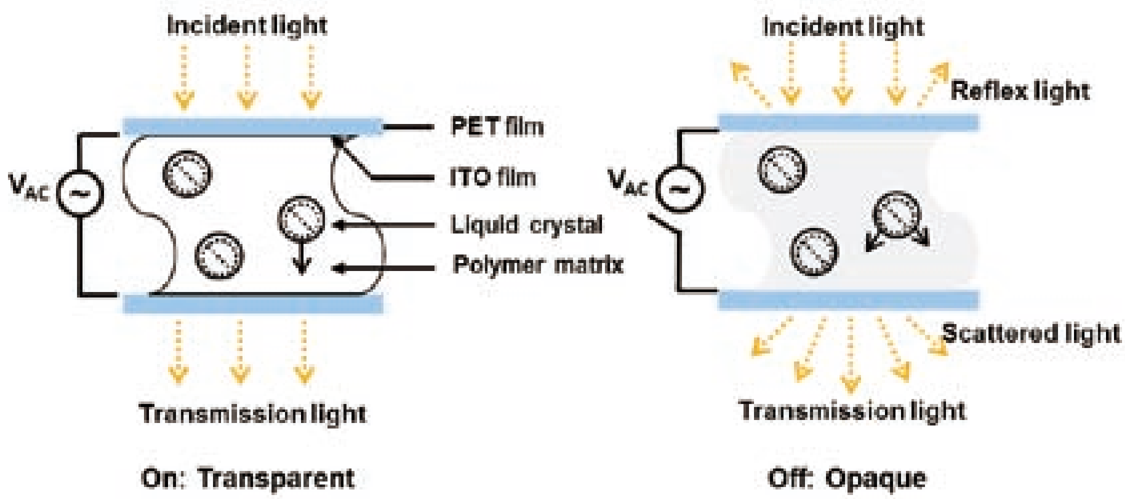


ITO sputtering machine

Smart Light-adjusting Products

Smart Light-adjusting Film

Smart Light-adjusting Film is a film containing PDLC (or polymer dispersed liquid crystals) that changes light transmission properties when electrical voltage is applied to it. When connected to power, the PDLC line in order, allowing light applied thereon to penetrate and causing the film to appear transparent. When power is disconnected, the order of PDLC will be disturbed which will cause light applied thereon to scatter and causing the film to appear opaque. The quality of a Smart Light-adjusting Film in terms of haze rate, light transmission rate and electricity consumption is largely dependent on the PDLC configuration.



Our first Smart Light-adjusting Film production line commenced operation in June 2012 and our second Smart Light-adjusting Film production line commenced operation in June 2014. We have strict quality control procedures to ensure that our Smart Light-adjusting Film meet the following technical specifications:

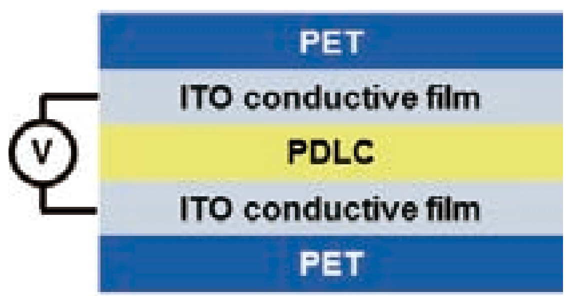
- light transmittance: on: more than 76%; off: more than 50%
- haze rate: on: less than 10%; off: more than 95%
- operating temperature: -20 to 70 degrees celsius
- storage requirement: less than 35 degrees celsius at humidity of less than 85%
- rated voltage: 60 V (AC, 50/60 Hz)
- energy consumption: less than 5 watts/sq.m.
- viewing angle: more than 160 degrees
- rate of anti-UV: 79.5%
- response time: less than 45 milli-second
- switching times: over 2,500,000
- heat insulation: more than class B2
- shotgun bag impact: II-1
- falling-ball impact peel performance: GB15763.3-2009
- heat resistance: GB15763.3-2009
- damp heat test: GB15763.3-2009
- radiation resistance: GB15763.3-2009

We manufacture Smart Light-adjusting Film by: (i) incorporating our self-developed PDLC between two layers of ITO film (which are manufactured in-house); (ii) applying UV curving technology; and (iii) making use of our roll-to-roll ITO sputtering machine and coating machine.

Roll-to-roll ITO sputtering machine

We set out below the structure of Smart Light-adjusting Film produced by us:

Structure of Smart Light-adjusting Film



For the years ended 31 December 2014, 2015 and 2016, we sold a total of approximately 6,984 sq.m., 24,500 sq.m. and 28,472 sq.m., of Smart Light-adjusting Film to our customers respectively, with an average selling price of approximately RMB1,031, RMB760 and RMB663 per sq.m., respectively.

Smart Light-adjusting Glass

Smart Light-adjusting Film may be applied onto glass which can be joined together to form large panels that can act as a privacy glass wall when power is disconnected and acts as a normal transparent glass when connected to a power source. Users can control the permeability of light passing through the Smart Light-adjusting Glass by simply adjusting the amount of electric voltage applied to the Smart Light-adjusting Film. This feature of the Smart Light-adjusting Glass makes it useful in many applications where privacy may be required (for example, in bathrooms; examination rooms in hospitals and clinics; inquiry rooms in police stations, courts and prisons, jewellery and museum displays; office conference rooms or as office partitions) or where it may be desirable to block out light (for example, as skylights or in video rooms). Our Smart Light-adjusting Glass can be widely used in commercial, residential, healthcare, hospitality, retail and public transaction industries for a variety of purposes.

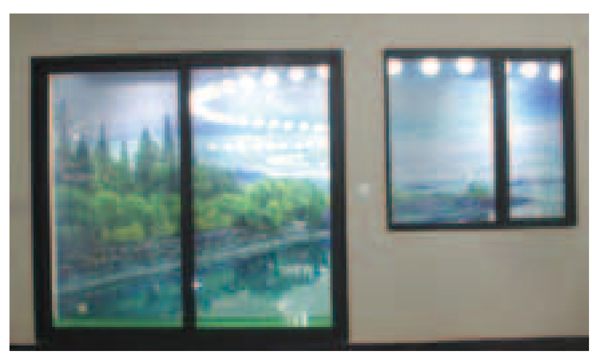
The following pictures illustrate the appearance of our Smart Light-adjusting Glass products when they are switched on or off:

Switched off

Switched on

Switched off

Switched on



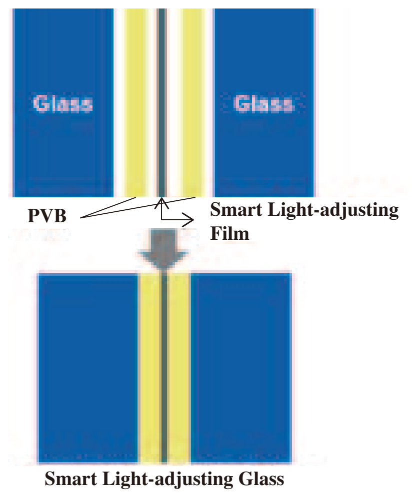
We generally manufacture two types of Smart Light-adjusting Glass, namely:

(i) ***laminated Smart Light-adjusting Glass***, which is manufactured by wedging a piece of Smart Light-adjusting Film between two layers of glass and applying heat and pressure to embed the Smart Light-adjusting Film into the glass; and

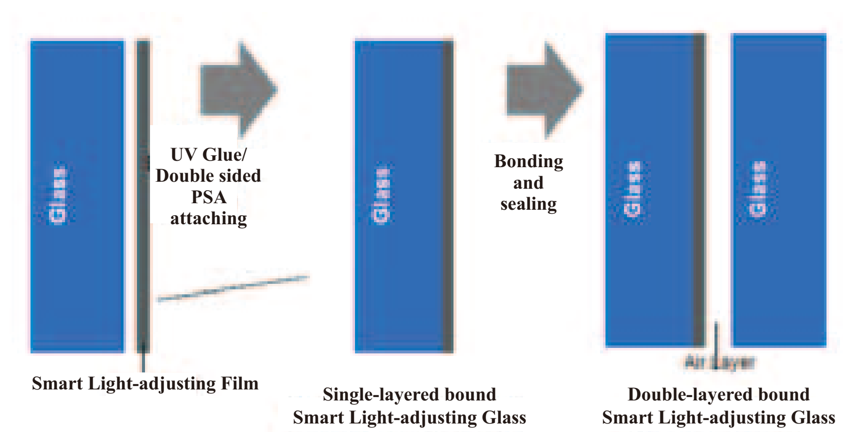
(ii) ***bound Smart Light-adjusting Glass***, which is manufactured by adhering Smart Light-adjusting Film to the surface of glass by UV glue or AB glue. We manufacture both single-layered and double-layered bound Smart Light-adjusting Glass; the latter is used for insulation purposes and is produced by sealing two panels of glass with a layer of air in between them.

The following diagrams illustrate, in simplified terms, the production process of laminated and bound Smart Light-adjusting Glass:

Production of laminated Smart Light-adjusting Glass



Production of double-layered bound Smart Light-adjusting Glass



Our Smart Light-adjusting Glass production line commenced operation in February 2013. We adopt production techniques and processes to ensure that our Smart Light-adjusting Glass are:

(i) ***high performance:*** our Smart Light-adjusting Film embedded in the glass can be switched from transparent to opaque states over 2.5 million times and still maintain high optimal performance. We also test our Smart Light-adjusting Film to ensure that they meet performance tests in terms of heat, humidity, vibration and radiation resistance;

(ii) ***safe:*** our Smart Light-adjusting Glass is designed so that glass fragments will still adhere onto the Smart Light-adjusting Film if and when the glass is crushed so that it would not be hazardous to users when broken;

(iii) ***user friendly:*** our Smart Light-adjusting Glass has:

(a) sound insulation properties which reduces the passing through of sound volume to below 35 decibels;

(b) UV blocking properties to block the passing through of approximately 79.5% of UV light during the opaque state, and is believed to benefit users by reducing the appearance of aging on their skin; and

(iv) ***customised:*** we apply various techniques and processes to produce Smart Light-adjusting Glass that meets the specifications and requirements of our customers. For example, our Smart Light-adjusting Glass may be strengthened, colour-tinted, curved and shaped or double-glazed depending on the preferences of our customers. We believe that our ability to provide customised Smart Light-adjusting Glass which meets the demand of our customers is an important factor for our success.

For the years ended 31 December 2014, 2015 and 2016, we sold a total of approximately 11,062 sq.m., 6,220 sq.m. and 22,196 sq.m. of Smart Light-adjusting Glass respectively, with an average selling price of approximately RMB1,678, RMB1,344 and RMB1,194 per sq.m. respectively.

Smart Light-adjusting Projection System

A Smart Light-adjusting Projection System refers to a projection display system comprising a Smart Light-adjusting Product, a projector (adopting ultra-short throw laser projection and multi-fusion technology) and a control system whereby visual images and/or video may be projected from the projector onto a Smart Light-adjusting Product during its opaque state when electric voltage is disconnected (while the glass may be switched to its transparent state when an electric current is applied).

As at the Latest Practicable Date, we have three types of Smart Light-adjusting Projection Systems, namely:

(i) ***first generation Smart Light-adjusting Projection Systems:*** whereby the Smart Light-adjusting Projection System is installed into a customarised cabinet where visual images and/or video is projected onto a Smart Light-adjusting Glass panel from a ultra-short throw laser projector from behind the panel. Our first generation Smart Light-adjusting Projection Systems are designed for use in domestic or indoor environment for home entertainment and/or visual experience purposes;

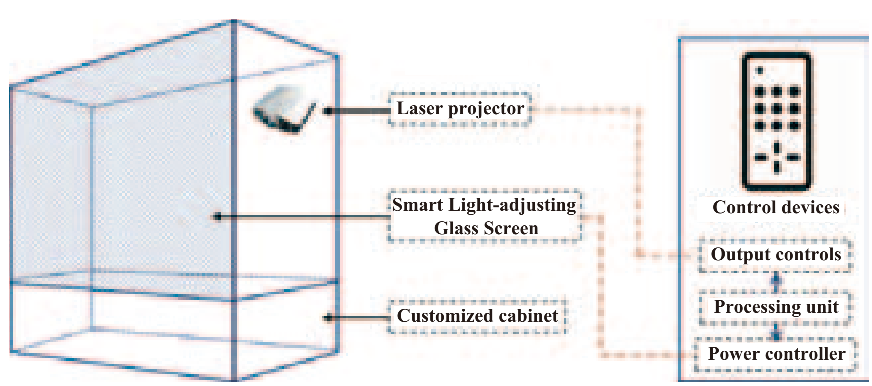
(ii) ***second generation Smart Light-adjusting Projection Systems:*** whereby the Smart Light-adjusting Film is embedded in a projection screen where visual images and/or video is projected onto the screen from the front using a more advanced ultra-short throw laser projector. We have commenced our production and sale of our second generation Smart Light-adjusting Projection Systems in May 2016 which are designed for use in domestic or indoor environments for home entertainment and/or visual experience purposes which take up less space and are more adaptable for use; and

(iii) ***commercial Smart Light-adjusting Projection Systems:*** whereby our Smart Light-adjusting Projection Systems are installed and applied in various indoor or outdoor environments and settings for commercial purposes. For example, our Smart Light-adjusting Film may be adhered to screen doors in subway stations or our Smart Light-adjusting Glass may be used as display windows of retail stores and visual images and/or video can be projected thereon from the front using an ultra-short throw laser projector. Our commercial Smart Light-adjusting Projection Systems have diverse advertising, marketing and other applications, and we have since April 2016 entered into agreements for providing design and engineering solutions to our customers to assist them integrate our commercial Smart Light-adjusting Projection Systems in the desired environment and settings.

The following diagrams and pictures illustrate the key components and appearance of a sample of each type of our Smart Light-adjusting Projection Systems:

First generation Smart Light-adjusting Projection System

Conceptual diagram:

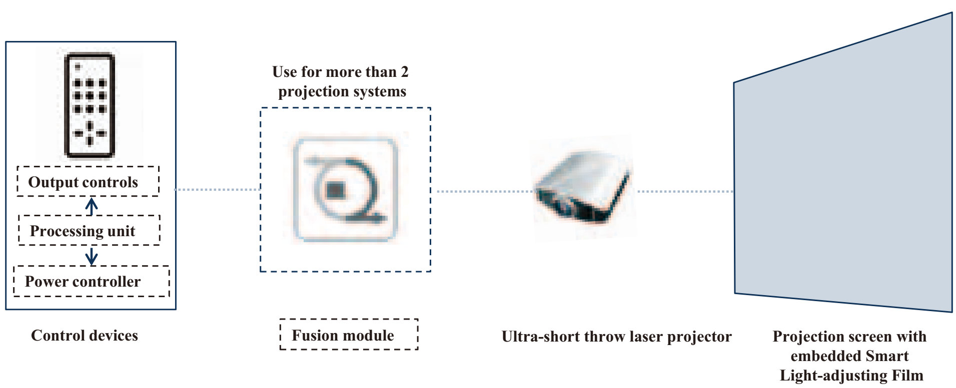


The following is a sample Smart Light-adjusting Projection System produced by us:

Sample product:

Second generation Smart Light-adjusting Projection System

Conceptual diagram:



Sample product:

Commercial Smart Light-adjusting Projection System

Conceptual image (application of commercial Smart Light-adjusting Projection System to subway station in Beijing):

Our Directors believe that our Smart Light-adjusting Projection System can compete in the outdoor display market with LED display manufacturers for the following reasons:

- the production cost of our Smart Light-adjusting Projection System is currently lower than that of an LED display;

- the selling price of a typical Smart Light-adjusting Projection System is generally lower than that of a typical LED display;

- a user of Smart Light-adjusting Projection System is expected to incur substantially less maintenance and repair costs over the life of the product than that of a user of LED display;

- current LED displays block sunlight from entering into buildings on which they are installed while Smart Light-adjusting Projection Systems may allow or block sunlight from entering into buildings depending on whether it is in a transparent or opaque state; and

- a typical Smart Light-adjusting Projection System is substantially more energy-efficient than a LED display.

For the two years ended 31 December 2015 and 2016, we sold a total of 220 and 471 sets of Smart Light-adjusting Projection Systems, respectively, with an average selling price of approximately RMB61,914 and RMB50,505 per set, respectively.

For details of the future trends of prices of our products, please refer to the "Industry Overview" section of this prospectus.

OUR PRODUCTION FACILITIES AND PROCESSES

Production facility

The entire production process of our products is carried out at our production base situated at Levels 1 and 2 of Factory Building No. 7 of Zhuhai Xingye New Energy and Industrial Park, 9 Jinzhu Road, Gaoxin district, Zhuhai city, Guangdong province of the PRC. Our production facilities comprise office and factories with a total gross floor area of approximately 5,740 sq.m..

We relocated our production facilities from a technology port in Nanping to our current site in March 2016. The current site is larger than our former facility and is more suitable for housing our production equipment. Since our commencement of business and up to the Latest Practicable Date, we have not experienced any material disruptions in respect of the use of our production facilities. It is our policy that staff report any disruptions in or to our production facilities to the relevant head of department who will arrange our equipment manager and relevant staff to arrange repairment. The procedures are in line with ISO:9001 standards.

As at the Latest Practicable Date, we operate two production lines for the production of ITO film, two production lines for the production of Smart Light-adjusting Film, and one production line for the production of Smart Light-adjusting Glass and Smart Light-adjusting Projection Systems respectively.

Production machinery, equipment and processes

We believe it is important for us to be able to identify and purchase technologically-advanced and high quality machinery and equipment to support our production processes. We consider such machinery and equipment crucial in ensuring quality and efficiency of our manufacturing process. As a result, we allocate substantial resources to identifying and purchasing machinery and equipment that we believe can produce high quality products efficiently.

For the years ended 31 December 2014, 2015 and 2016, our capital expenditure were mainly incurred for acquiring machinery, motor vehicles, office equipment and the renovation of our factory and the amounts incurred our these periods were approximately RMB1.7 million, RMB24.2 million, and RMB978,000 respectively. These capital expenditures were funded by a combination of cash generated from our operating activities, bank loans and capital injection by our Shareholders.

We acquired all of our machinery and equipment from domestic and international Independent Third Parties through commercial arm's length negotiations and transactions. The machinery and equipment used in our production lines is difficult for our competitors to replicate as they have been modified or have improved features incorporated to meet our actual production needs. To this end, our procurement department communicates our production needs and requirements to our suppliers to ensure that our machinery and equipment are tailor-made to suit our needs.

The following table sets out details of our major machinery and equipment (with acquisition cost of over RMB50,000) located at our production facilities and related details as at 31 December 2016:

Machinery or equipment name and description	Year of purchase	Months used	Net carrying value (approx. RMB) *(Note)*	Remaining life *(months)*
ITO film				
Vacuum roll-to-roll ITO sputtering machine	2011	61	11,615,185.3	59
Vacuum roll-to-roll ITO sputtering machine	2014	13	18,069,368.5	107
Coating and laminating machine	2011	60	1,311,588.6	60
Air Handling Unit (AHU) compression-type water chiller	2015	16	434,908.1	44
Smart Light-adjusting Film				
High precision wet laminating machine	2013	40	1,343,813.1	80
High precision wet laminating machine (single position)	2014	32	313,594.0	88
Smart Light-adjusting Glass and Smart Light-adjusting Projection System				
Straight-line bilateral milling machine	2015	12	502,888.9	108
Autoclave	2013	42	237,103.4	78
Autoclave	2015	17	230,047.2	43
Laminated glass production line	2013	40	169,538.5	80

Note: Net carrying value equals the original acquisition cost of machine, less depreciation using accounting method, amortisation or impairment costs.

We acquired all our production machinery and equipment in recent years and we expect our major production machinery and equipment at our production facility to have an average useful life of approximately five to ten years. As of the Latest Practicable Date, we did not anticipate the disposal of any of our major production machinery and equipment.

We regularly monitor and perform routine maintenance checks on our machinery and equipment in order to assess whether there is a need to replace, purchase, or update (where machinery and equipment with improved technical capabilities becomes available) our machinery and equipment. We maintain records of any maintenance and repair work carried out on our machines.

Our Directors confirm that we currently have no replacement schedule for our major machinery and equipment and we may not replace equipment or machinery merely because it is fully depreciated under our accounting policy (being an accounting concept relating to allocation of costs of an asset). We believe that with proper maintenance and repair, we may continue using machinery and equipment depreciated under our accounting policy for as long as it is in satisfactory working order.

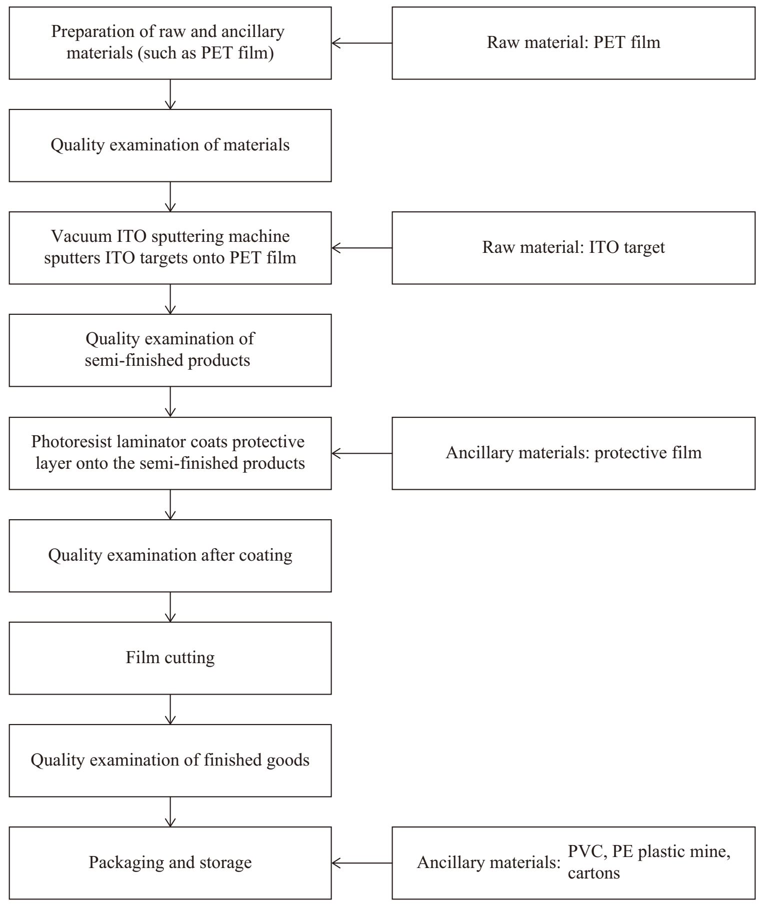
Preparation of raw material and ancillary materials

Upon receipt of customer sales orders, production staff will request the necessary raw materials and ancillary materials from the warehouse in accordance with the list of raw materials which are required for the production of Smart Light-adjusting Products to satisfy the sales order. The warehouse staff will prepare and compile the relevant raw materials (including raw materials produced in-house such as ITO film as well as other raw materials (such as components and parts) sourced from external parties) as requested by production staff. Where necessary, the warehouse staff may source additional raw materials from the production department or from external suppliers, as applicable, as part of our Group's inventory control process.

Production process and facilities relating to the manufacturing of ITO film

Our Group operates two ITO production lines, one of which produces ITO film with roll width of 2,100mm and one of which produces ITO film with roll width of 1,300mm. Each of these production lines comprises a vacuum roll-to-roll ITO sputtering machine, ITO protective layer laminating machine, SEM microscope and temperature chamber. Our production lines generally operate 24 hours a day, seven days a week.

The following diagram illustrates the key processes involved in the production of our ITO film:



The following table sets out the designed production capacity, actual production volume and utilisation rate of our ITO film production lines which consists of, among others, a 1,300mm roll-to-roll ITO sputtering machine and a 2,100mm roll-to-roll ITO sputtering machine, during the Track Record Period:

	Year ended 31 December		
ITO film production lines	**2014**	**2015**	**2016**
Designed production capacity (approximate)	203,372 sq.m. *(Note 1)*	307,847 sq.m. *(Note 2)*	621,271 sq.m. *(Note 2)*
Actual production volume	193,800 sq.m.	223,000 sq.m.	285,000 sq.m.
Utilisation rate (%) *(Note 3)*	95.3%	72.4%	45.9%

Note 1: The estimated maximum production capacity is calculated on the basis that: (i) the production line will be operated for 11.5 months per year, 25 days per month and 24 hours per day (i.e. 6,900 production hours in total in a year); and (ii) it takes approximately 42.41 hours to process each roll of ITO film of 1,250 sq.m. each (i.e. production rate of approximately 29.47 sq.m. per hour).

Note 2: We commenced the use of our 2,100mm roll-to-roll ITO sputtering machine (which is capable of processing ITO film rolls which are 1,250 sq.m. and 2,400 sq.m. in size) in October 2015. Therefore, the estimated production capacity of our ITO film production lines is the aggregate of: (i) the estimated maximum production capacity of the 1,300mm roll-to-roll ITO sputtering machine production line per Note 1 above; and (ii) the estimated maximum production capacity of the 2,100mm roll-to-roll ITO sputtering machine production line is calculated on the basis that: (a) the production line will be operated for 11.5 months per year, 25 days per month and 24 hours per day (i.e. 6,900 production hours in total in a year); and (b) the machine is capable of processing 25 rolls of 1,250 sq.m. ITO film or 16 rolls of 2,400 sq.m. ITO film each month, and we assume that the machine would be used for processing rolls of each width for 50% of each month (i.e. average production rate of approximately 60.56 sq.m. per hour).

Note 3: The utilisation rate is calculated by dividing actual production volume by the estimated designated production capacity for the relevant period.

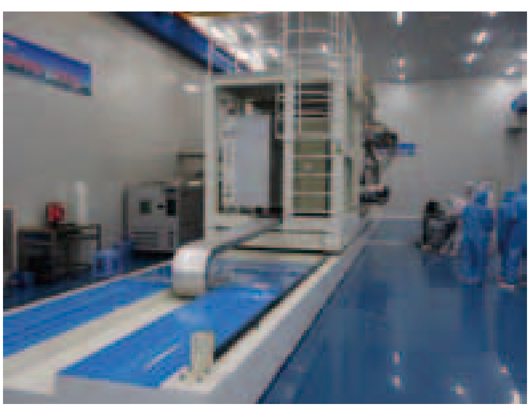
As illustrated above, the utilisation rate of the production line for ITO film dropped from 95.3% in 31 December 2014 to 72.4% and 45.9% for the years ended 31 December 2015 and 31 December 2016 respectively due to the commencement of the use of our 2,100mm roll-to-roll ITO sputtering machine since October 2015, which materially increased the designed production capacity of the production line.

Set out below are illustrations depicting different stages in our ITO film production process:

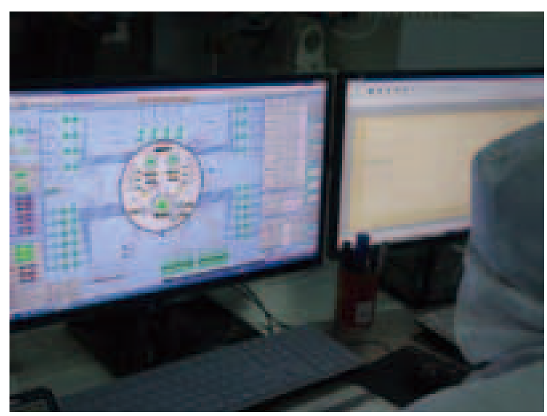
Air shower room prior to entering into the production facilities

Preparation of raw materials

2,100mm roll-to-roll ITO sputtering machine



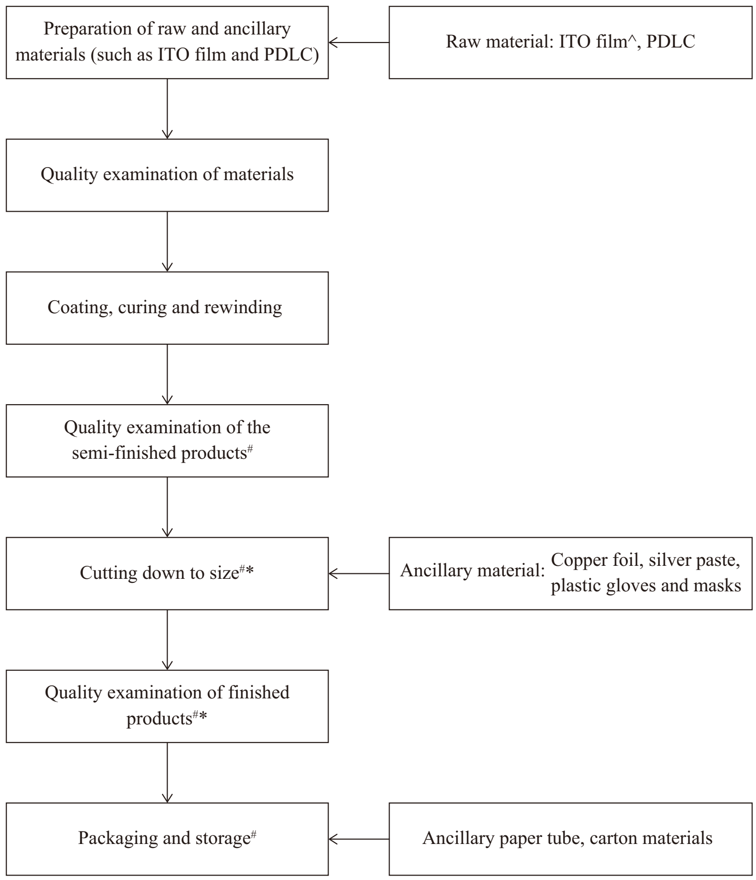
Operation of the roll-to-roll coating system



Production process for Smart Light-adjusting Film

Our Group has two production lines for the production of our Smart Light-adjusting Film, comprising (i) a 1,600mm wide high precision coating machine; and (ii) a 2,000mm wide high precision coating machine.

The following diagram illustrates the key processes involved in our Smart Light-adjusting Film production:



Note:

1. Processes marked with "#" are confirmed by our Directors to be automated according to the implementation plan as set out in section headed "Future plans and use of proceeds" of this prospectus.

2. Processes marked with "*" are confirmed by our Directors to be "bottleneck" processes. For further information on "bottleneck" processes, please refer to the paragraph headed "Net proceeds for the acquisition of machinery and equipment" under the section headed "Future plans and use of proceeds" of this prospectus.

3. Raw materials marked with "^" are produced in-house.

The following table sets out the designed production capacity, actual production volume and utilisation rate of our Smart Light-adjusting Film production lines which consist of, among others, a 1,600mm wide high precision coating machine and a 2,000mm wide high precision coating machine, during the Track Record Period:

Smart Light-adjusting Film production lines	Year ended 31 December 2014	2015	2016
Designed production capacity (approximate)	449,176 sq.m. *(Note 1)*	584,471 sq.m. *(Note 2)*	584,471 sq.m.
Actual production volume *(Note 3)*	36,900 sq.m.	32,800 sq.m.	51,465 sq.m.
Utilisation rate (%) *(Note 4)*	8.2%	5.6%	8.8%

Note 1: We commenced the use of our 2,000mm wide high precision coating machine in June 2014. Therefore, the estimated production capacity of our Smart Light-adjusting Film production lines is the aggregate of: (i) the estimated maximum production capacity of 1,600mm wide high precision coating machine production line; and (ii) the estimated maximum production capacity of the 2,000mm wide high precision coating machine production line on the basis that: (a) the production line will be operated for 11.5 months per year, 25 days per month and 14 hours per day (i.e. 4,025 production hours in total in a year); and (b) the 1,600mm wide high precision coating machine is capable of processing 20 rolls of 1129.4 sq.m. Smart Light-adjusting Film each month (i.e. average production rate of approximately 63.25 sq.m. per hour) and the 2,000mm wide high precision coating machine is capable of processing 20 rolls of 1411.8 sq.m. Smart Light-adjusting Film each month (i.e. average production rate of approximately 79.06 sq.m. per hour).

Note 2: Both machines were utilised throughout the respective periods.

Note 3: The actual production volume has been calculated based on the product size before reducing to the measurement as required by our customers.

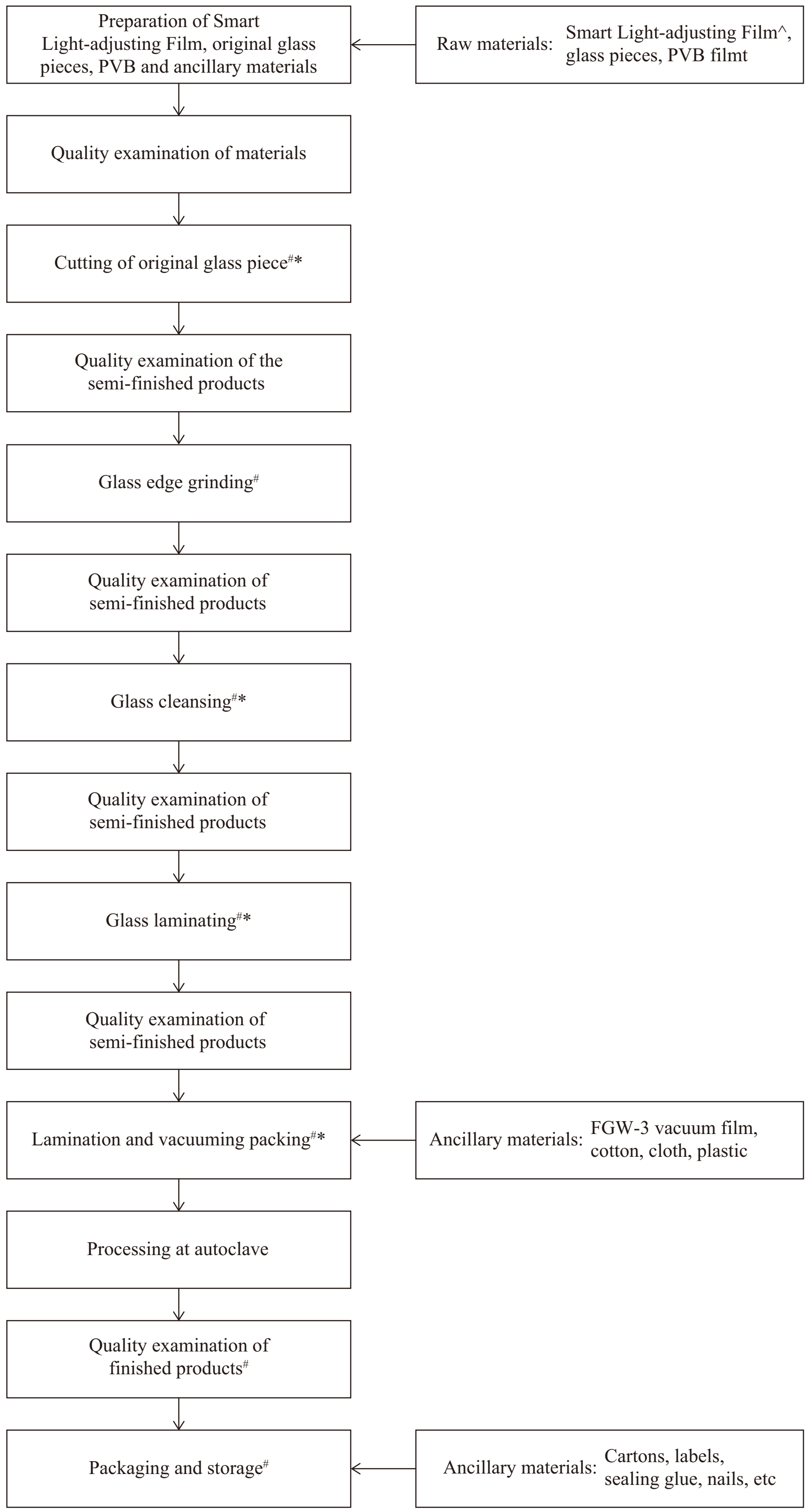
Note 4: The utilisation rate is calculated by dividing actual production volumes by the estimated designated production capacity for the relevant period.

The reason for the low utilisation rate of the production line for Smart Light-adjusting Film was due to the fact that the design of the production line for Smart Light-adjusting Film (involving a 1,600mm wide high precision coating machine and a 2,000mm wide high precision coating machine) is capable of high-volume mass production of Smart Light-adjusting Film rolls, resulting in the maximum designed production capacity to be a large multiple of the existing production volume.

Production process and facilities for Smart Light-adjusting Glass

Our production line for Smart Light-adjusting Glass includes a glass loading table, a glass cutting machine, glass edge grinding devices, a glass washing and drying machine, a glass lay-up positioning conveyor, a PVB film spreader machine, a pre-press machine and autoclave. Our production lines generally operate ten hours a day, five to six days a week.

The following diagram illustrates the key processes involved in our Smart Light-adjusting Glass production line:



Notes:

1. Processes marked with "#" are confirmed by our Directors to be automated according to the implementation plan as set out in section headed "Future plans and use of proceeds" of this prospectus.

2. Processes marked with "*" are confirmed by our Directors to be "bottleneck" processes. For further information on "bottleneck" processes, please refer to the paragraph headed "Net proceeds for the acquisition of machinery and equipment" under the section headed "Future plans and use of proceeds" of this prospectus.

3. Raw materials marked with "^" are produced in-house.

Autoclave

The following table sets out the designed production capacity, actual production volume and utilisation rate of our Smart Light-adjusting Glass production line during the Track Record Period:

Smart Light-adjusting Glass production line	**Year ended 31 December** 2014	2015	2016
Designed production capacity *(Note 1)*	46,000 sq.m.	46,000 sq.m.	46,000 sq.m.
Actual production volume	12,400 sq.m.	7,600 sq.m.	21,242 sq.m.
Utilisation rate (%) *(Note 2)*	27.0%	16.5%	46.2%

Note 1: We have used the size of Smart Light-adjusting Glass produced as a standardised measurement of the output of our production process which involved preparing materials (such as Smart Light-adjusting Film and PVB), trimming, glass milling, cleaning and inspection, and vacuum packaging. The estimated production capacity is based on the assumption that our Smart Light-adjusting Glass production line (a) will be operated for 11.5 months per year, 25 days per month and 10 hours per day (i.e. 2,875 production hours in total in a year); and (b) is capable of producing 4,000 sq.m. of Smart Light-adjusting Glass each month.

Note 2: The utilisation rate is calculated by dividing actual production volumes by the estimated designated production capacity for the relevant period.

The low utilisation rate of the production line for Smart Light-adjusting Glass over the Track Record Period was due to its large designed production capacity compared to actual production volume (for external sales as well as internal use for production of downstream products).

The utilisation rate for the production line increased from 16.5% for the year ended 31 December 2015 to 46.2% for the year ended 31 December 2016 mainly due to (i) the commencement of efforts in 2015 to expand our overseas business; and (ii) the increase in demand for Smart Light-adjusting Projection Systems (i.e. downstream product of Smart Light-adjusting Glass) due to the continued development of our Group in, and increase in demand in the market for, the product. This has led to substantial orders for Smart Light-adjusting Projection Systems in the year ended 31 December 2016 (please refer to the paragraph "Business – Our production facilities and processes - Substantial orders for Smart Light-adjusting Projection Systems" below for further details), which in turn led to increase in required production of Smart Light-adjusting Glass.

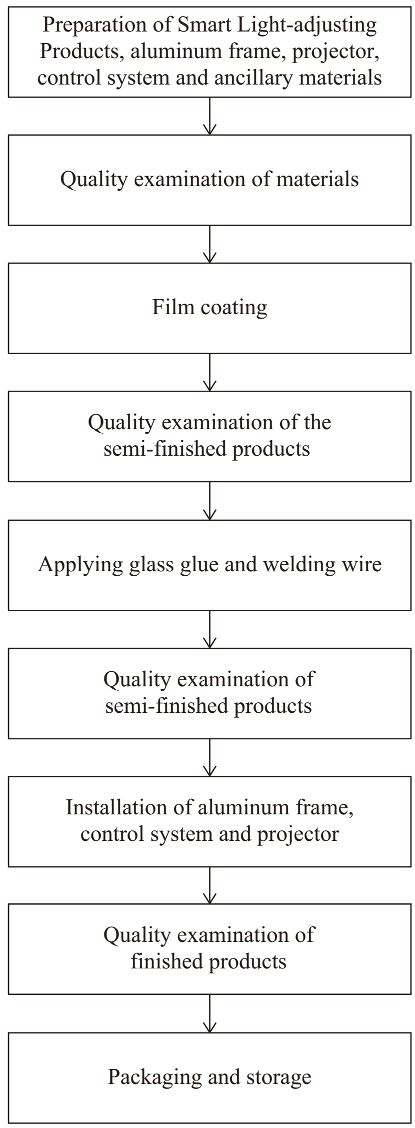
Substantial orders for Smart Light-adjusting Projection Systems

As at 31 December 2016, we have entered into a supply contract with a subcontracting company in Beijing for the supply and installation of 200 Smart Light-adjustment Projection Systems over 20 metro stations in the PRC, for a total consideration of approximately RMB13.4 million (equivalent to approximately HK$15.3 million). In addition to this substantial order, our Group has also entered into a supply contract with a company in Shanghai for the supply and installation of 100 Smart Light-adjusting Projection Systems for advertising display windows in the Nanjing Road commercial area in Shanghai for a total consideration of approximately RMB6.1 million (equivalent to approximately HK$7.0 million).

In order to fulfill these and other new orders, the utilisation rate in production capacity in respect of Smart Light-adjusting Film and Smart Light-adjusting Glass increased from 5.6% and 16.5% for the year ended 31 December 2015 respectively, to 8.8% and 46.2% for the year ended 31 December 2016 respectively.

Production process and facilities for Smart Light-adjusting Projection System

Our production of Smart Light-adjusting Projection Systems involves the assembly and installation of different components including Smart Light-adjusting Products, ultra-short throw laser projector, control systems and other components. The following diagram illustrates the key processes in the production of our Smart Light-adjusting Projection System:



As at the Latest Practicable Date, our production and installation of Smart Light-adjusting Projection Systems does not rely on the use of key machinery or production facilities, but rather relies on our skilled employees and technicians to (i) carry out assembly and installation of different components; and (ii) apply and calibrate our systems for use in relevant environment and settings in line with designated specifications and/or design and engineering solutions proposed to our customers. As such, it is not possible to provide indicative or meaningful analysis of the utilisation rate of our Smart Light-adjusting Projection System production capacity. Nevertheless, we will hire suitably qualified employees and technicians to the meet our production needs to satisfy the amount of customer orders for Smart Light-adjusting Projection Systems we may receive from time to time.

A summary setting out the volume of upstream products required to produce each type of downstream products is as follows:

Per square meter of	**Units required of production**
Smart Light-adjusting Film	Two square meters of ITO Film
Smart Light-adjusting Glass	One square meter of Smart Light-adjusting Film
Smart Light-adjusting Projection System	One square meter of Smart Light-adjusting Glass

QUALITY CONTROL

We are committed to producing high quality products. We perform quality control, inspection and testing procedures throughout our production process to identify defects and irregularities throughout each of our production processes.

Quality control measures

We apply stringent quality controls at each stage of our production process. This involves:

- ***acceptance and storage of raw materials***
  - when raw materials (including PET raw film, ITO targets, various protective films, PVB and glass pieces) are delivered to our production base, our warehouse management staff will inform the procurement department and the relevant department responsible for making the procurement request will then check the received raw materials against the relevant invoices to ensure that the type, specifications and quantity of raw materials received is correct
  - our quality control staff will take samples from each batch of raw materials received to ensure they meet the required standards for production. All raw materials deemed suitable for use in production are labelled accordingly
  - where samples from a batch of raw materials fail to meet our required standards, the entire batch will be physically separated from the remaining raw materials and further assessments will be made to establish whether the raw materials can be warehoused
  - raw material inspection reports are completed in relation to the inspection of each batch of raw materials and follow-up action is taken with the relevant suppliers where problems and defects are detected
  - raw materials are stored in appropriate conditions (in terms of temperature and humidity) and are tested to ensure adherence to the prescribed production formula
- ***over the production processes***
  - before we commence mass production of a particular product, we will manufacture an initial sample for assessment and analysis

  - our quality control staff inspect semi-finished products at the key stages of the production process (for example, following edging or glass combining/laminating over the production of Smart Light-adjusting Glass). Quality control sampling checks are also carried out
  - any semi-finished products which are found to be of sub-standard quality are labelled as defective and isolated immediately
  - where the relevant defect raises material quality or technical concerns, our quality control staff shall file a report and the production process will be halted to allow the technical department to conduct a review in order to identify the cause
  - defective products are reprocessed to remedy defects or scrapped, as appropriate, depending on the assessment of quality control and technical departments
  - the condition of, and the processes being carried out in, our production lines are closely and constantly monitored by qualified staff through computerised inspection systems which provide indicators relating to film quality and production status and which assist in identifying problems

- ***inspection of finished products***
  - finished products are examined by our quality control staff who (i) carry out physical inspection; (ii) conduct tests to evaluate performance (for example, conducting thermal stability, light transmission rate, haze rate and durability tests); (iii) review whether the finished product meets the applicable corporate and/or industry standards; and (iv) determine whether or not the finished product meets the requirements of the relevant customers
  - the packaging of finished products will be inspected thoroughly by our quality control staff prior to delivery and a sample from each batch of finished products will be retained for future reference

In addition to the above, we have adopted and implemented the following quality control measures and procedures to maintain the quality standard of our products:

- ***handling defective products*** — where defective products (whether finished or semi-finished) are discovered during the production process or following delivery to customers, these products will be labelled, isolated and drawn to the attention of our quality control staff and the relevant products will be assessed to check the reason for the defects and appropriate follow up actions (including formulating and adopting appropriate remedial or preventive measures to avoid further incidents) will be implemented and recorded
- ***internal feedback and analysis*** — we constantly collect feedback from various departments (including the procurement department, quality control department, technology department and production department) and all suggestions, recommendations and problems or issues identified are evaluated and assessed. Through such practice, we identify areas for improvement and implement remedial or preventive measures to reduce incidents of defects

- ***traceability of products*** — labels containing information such as product name, description, quantity, date and inspection record and other details are applied by staff to products at different stages of the production process. This ensures that products can be easily traced in the event of a customer complaint and that defective products can be effectively isolated for further handling without delay or disruption to our production process

- ***product maintenance and delivery*** — we have adopted safety measures relating to the moving, storing, packaging, maintenance and delivery of our finished products to prevent damage post-production

- ***consistency of product quality*** — we consistently use quality materials, provide regular training to our staff, conduct thorough products inspections and examinations and maintain up-to-date internal records to ensure that our products meet the standards prescribed by the China Quality Certification Centre

Quality control team

Our quality control team comprises ten members which is led by a department general manager with over ten years of experience in supervising the technical department and in quality control work. The general manager is responsible for all aspects of quality control relating to our products including communicating and liaising with different departments and reporting to senior management.

To ensure that our quality control staff can carry out their duties and responsibilities effectively, we require them to have obtained the requisite academic qualifications, training and experience in engineering, quality control and other relevant fields. In particular:

- our quality control engineers who are responsible for analysing and evaluating quality control results are required to hold a bachelor degree and/or advanced degrees and are required to have sound knowledge of relevant ISO standards as well as standards prescribed by the China Quality Certification Centre

- our quality control officers responsible for performing daily quality control inspections must hold at least a diploma and be experienced in equipment inspection

Certification obtained and quality standards met by our products

All our Smart Light-adjusting Products have passed inspection by, and met the standards, of:

(i) the China Quality Certification Centre;

(ii) European Union Directive 2002/95/EC; and

(iii) Schedule 2 of Renewed European Union Directive 2011/65/EU.

Furthermore, we have been accredited with an ISO9001:2008 certification in respect of the quality of our management systems, which we implemented throughout our supply, production and sales processes.

We set out below the certificates relating to product quality we have obtained over the Track Record Period:

Issuing institution	Certificate number/test report number	Subject matter	Certificate/result	Date of certification/ validity
China Quality Certification Centre	W-15803-2016-M1	Smart Light-adjusting Film (super transparent) (power off mode)	Compliance with ISO9050:2003 and ISO10292:1994	30 June 2016
China Quality Certification Centre	W-15803-2016-M3	Smart Light-adjusting Film (super transparent) (power on mode)	Compliance with ISO9050:2003 and ISO10292:1994	30 June 2016
China Quality Certification Centre	WT2016E09A00425	Smart Light-adjusting Glass	Compliance with JC/T 2129-2012	27 June 2016
SGS Guangzhou branch	CANEC1611658302	ITO film	Compliance with European Union's RoHS Directive 2011/65/EU	23 June 2016
SGS Guangzhou branch	CANEC1611658304	ITO Film halogen	Compliance with EN 14582:2007 method	23 June 2016
SGS Guangzhou branch	CANEC1609128904 A01	Smart Light-adjusting Film	Compliance with European Union's RoHS Directive 2011/65/EU	25 May 2016
SGS Guangzhou branch	CANEC1609128906 A01	Smart Light-adjusting Film	Compliance with EN 14582:2007 method	25 May 2016
China Quality Certification Centre	2015011302821761	Architectural (safety) sealed insulating glass (smart liquid crystal hollow glass) silicon, dual sealed insulating glass with aluminium spacer	Compliance with GB/T11944-2012	From 10 May 2016 to 10 May 2021
China Quality Certification Centre	W-150803-2015-M1	Smart Light-adjusting Film	Compliance with ISO9050:2003 and ISO10292:1994	25 August 2015
China Quality Certification Centre	00114Q27165R1M/4400	Research and production of ITO film, Smart Light-adjusting Film and Smart Light-adjusting Glass	ISO9001:2008 GB/T19001-2008	From 25 August 2015 to 14 August 2017

Issuing institution	Certificate number/test report number	Subject matter	Certificate/result	Date of certification/ validity
China Quality Certification Centre	W-15803-2015-Z11	Smart Light-adjusting Glass (hollow)	Compliance with ISO9050:2003 and ISO10292:1994	25 August 2015
SGS Guangzhou Branch	SDHG1507010976FB	Self-adhesive light-adjusting glass	Compliance with GB8621-2012	21 July 2015
China Quality Certification Centre	2015011302821761	Architectural (safety) sealed Insulating glass dew point test	Compliance with GB/T11944-2012	23 March 2016
China Quality Certification Centre	N/A	Architectural laminated glass falling ball impact peel performance	Compliance with GB15763.3-2009	23 March 2016
China Quality Certification Centre	2012011302584162	Thermal resistance for architectural laminated glass	Compliance with GB15763.3-2009	23 March 2016
China Quality Certification Centre	2013011302631046	Shot bag impact performance of architectural laminated glass	Compliance with GB15763.3-2009	23 March 2016
China Quality Certification Centre	2013011302631046	Architectural laminated glass (smart liquid crystal glass) nominal thickness of interlayer 1.92mm and smart liquid crystal film	Compliance with GB15763.3-2009	From 29 July 2015 to 19 August 2019
China Quality Certification Centre	2014011302714588	Architectural tempered laminated glass (smart liquid crystal glass) nominal thickness of interlayer 2.68mm PVB and smart liquid crystal film	Compliance with GB15763.3-2009	From 23 December 2014 to 19 August 2019
China Quality Certification Centre	2014011302714587	Architectural tempered laminated glass (smart liquid crystal glass) nominal thickness of interlayer 3.44mm PVB and smart liquid crystal film	Compliance with GB15763.3-2009	From 23 December 2014 to 19 August 2019
Guangdong province construction engineering quality safety supervision and inspection centre, and Guangdong province architectural wall quality inspection centre*	F2014(62)0208440400030	TOSSEAL83 neutral silicone anti-fogging sealant	Compliance with GB/T 14683-2003 silicone architectural sealant	25 August 2014

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material loss due to product defect.

SUPPLIERS AND RAW MATERIALS PROCUREMENT

Our suppliers

Over the Track Record Period, the procurement of raw materials accounted for the largest portion of our costs of sales. Our raw materials accounted for approximately 84.3%, 84.6% and 84.8% of our total cost of sales for the years ended 31 December 2014, 2015 and 2016 respectively.

We procure a majority of our raw materials (including hardened PET film) from third party suppliers based in the PRC who are agents of overseas manufacturers. We also procure certain raw materials (including ITO target, protective film, PDLC and projectors) from PRC manufacturers.

We also procured super-transparent light-adjusting film from manufacturers before are commenced the mass production of such film in November 2016.

The following table set out certain information in relation to our top five suppliers during the Track Record Period:

For the year ended 31 December 2014

	Supplier	Principal business	Product supplied to our Group	Location	Approximate years of relationship as at the Latest Practicable Date	Approximate percentage of our total purchase (%)
1	Supplier A	A screen printing supplier in the field of printing digital communication products, home appliances, electronics, and smart products technology	PET film	Shenzhen, PRC	4.1	33.2
2	Supplier B	Conducts wholesale trading of goods and technologies, technological export and imports, and research and development of security products	ITO film	Shenzhen, PRC	3.2	17.6
3	Supplier C	Conducts research and development, manufacturing, marketing, and import and export Thin-Film Transistor (TFT), PDLC, Super-Twisted Nematic (STN), Twisted Namatic (TN) type liquid crystal display materials, organic electroluminescence materials and special-purpose liquid crystal materials	PDLC	Beijing, PRC	5.4	7.3
4	Supplier D	Conducts research and development, manufacturing, sales and service of high-tech products using the Company's ITO film	protective film, PET film	Shenzhen, PRC	4.5	6.2
5	Supplier E	Conducts wholesale and retail of optoelectronics materials, solar cells, building decoration materials and provide use of technological development and consulting services for marine renewable energy	ITO targets, Smart Light-adjusting Products	Zhuhai, PRC	4.1	4.7

For the year ended 31 December 2015

	Supplier	Principal business	Product supplied to our Group	Location	Approximate years of relationship as at the Latest Practicable Date	Approximate percentage of our total purchase (%)
1	Supplier A	As described above	PET film	Shenzhen, PRC	4.1	25.9
2	Supplier F	Conducts research and development, and manufacturing of products using its advanced laser phosphor display laser display technology	laser projector	Shenzhen, PRC	1.6	12.8
3	Supplier D	As described above	protective film	Shenzhen, PRC	4.5	9.4
4	Supplier C	As described above	PDLC	Beijing, PRC	5.4	6.3
5	Supplier G	Handles (i) acrylic resin such as plastic sheets, films and processed goods, (ii) construction related materials such as fixtures and aluminium composite panels used as wall material in convenience stores and other buildings, and (iii) materials for LCD television light guide plates and cell phone display windows	PET film	Shanghai, PRC	2.9	5.3

For the year ended 31 December 2016

	Supplier	Principal business	Product supplied to our Group	Location	Approximate years of relationship as at the Latest Practicable Date	Approximate percentage of our total purchase (%)
1	Supplier D	As described above	protective film	Shenzhen, PRC	4.5	8.3
2	Supplier H	manufactures, develops and sells display system	laser projector	Guangzhou, PRC	0.6	8.1
3	Supplier I	Develops, installs and sells software, multi-media equipment and telecommunication equipment	laser projector	Wuhan, PRC	0.7	6.7
4	Supplier J	manufactures and sellers different materials including PET film	PET film	Shenzhen, PRC	1.4	6.6
5	Supplier K	develops and manufactures high-technology products	ITO film	Shenzhen, PRC	0.9	4.9

For the years ended 31 December 2014, 2015 and 2016, our purchases from (i) our top five suppliers amounted to approximately RMB24.6 million, RMB16.1 million, and RMB20.4 million respectively, which accounted for 69.0%, 59.7%, and 34.6% respectively, of our total purchases, and (ii) our largest supplier amounted to RMB11.8 million, RMB7.0 million, and RMB4.9 million respectively, representing 33.2%, 25.9%, and 8.3%, respectively, of our total purchases.

During the Track Record Period and up to the Latest Practicable Date, none of our Directors or their close associates or our Shareholders owned more than 5% of our issued share capital or had any interest in any of our five largest suppliers. Our Directors confirm that each of our five largest suppliers are Independent Third Parties.

Concentration risk

Although we sourced a substantial amount of our raw materials from our five largest suppliers over the Track Record Period, we did not experience any material difficulty in sourcing raw materials nor have we experienced any shortage or delay in the supply of raw materials during the same period. In any case, we maintain a list of alternative suppliers who are able to provide raw materials of similar quality at similar prices which we may consider procuring from in the event of any shortage or delay in supply from existing suppliers. No long term contracts had been entered between our Group and our five largest suppliers. However, our Directors have confirmed that we did not have any material dispute with any of our five largest suppliers over the Track Record Period.

During the Track Record Period, we gradually reduced our reliance on any one single supplier. In the event there is any disruption in the supply of raw materials (such as PET film) we utilise, we will be required to purchase from alterative suppliers which may result in higher production costs. Further details of the risks of our reliance on one single supplier for PET film are set out in the section headed "Risk factors — Risks relating to our business — We rely on major suppliers for the supply of raw materials of a satisfactory quality and their failure to supply us or our failure to procure raw materials of the requisite quality standard or at acceptable prices could materially and adversely affect our operations and financial results" in this prospectus.

Our procurement procedures and measures

We have adopted and implemented a procurement policy to ensure that we are able to acquire raw materials which meet our production requirements at a reasonable cost. Under our procurement policy:

(i) our procurement staff will compare prices and the terms and conditions offered by different suppliers in respect of our purchase of raw materials and compile a procurement proposal;

(ii) all procurement proposals will require the approval of our general manager and deputy general manager (depending on value of procurement proposal) prior to procurement decisions being made;

(iii) we enter into legally binding procurement contracts with our suppliers in connection with each procurement request which set forth the quantity, price and quality specifications for each type of raw materials;

(iv) all raw materials delivered to our production base are inspected by (a) the procurement department and the department who made the procurement request to ensure that materials received are in line with our procurement request; and (b) our quality control department to examine the raw materials from quality control perspective;

(v) to facilitate new product development and to maintain our cost efficiency, our procurement department is required to assess potential new suppliers from time to time. Under our policy for assessing and selecting suppliers, our procurement department is required to obtain information on potential suppliers by attending exhibitions, obtaining information online as well as through customer referrals and industry sources, among other channels. Our procurement department will conduct initial analysis of potential suppliers in terms of product quality, price, ability to deliver products on time and technical capabilities. In general, suppliers are categorised into raw materials suppliers and other suppliers. Raw materials suppliers are required to provide a fee quote and price comparison, and deliver samples to us. The samples will then be sent to our technology department or relevant engineers in our quality control department for inspection. For other suppliers, our selection criteria are generally based on fee quotes and price comparison. In our assessment, we will request potential suppliers to provide us with their quality management certificates, and in cases of agencies, quality management certificates from the original suppliers, and if necessary, third-party evaluation reports on quality. In respect of corporate compliance, we will request potential suppliers to provide their business licences or organisation code certificates and tax registration certificates. If considered necessary or appropriate, we will conduct a physical assessment of our suppliers' quality management, production management and packaging processes at their premises; and

(vi) we regularly assess the performance and pricing of our suppliers and maintain up-to-date records on all selected suppliers.

Credit and warranty terms and payment method

For the procurement of raw materials, our suppliers generally offer us credit for a period of up to 60 days from the time the goods are received by us. We usually settle our procurement cost by bank transfer or bank acceptance bills.

OUR CUSTOMERS

Our ITO film customers are primarily domestic touch-screen device manufacturers, whereas our Smart Light-adjusting Film and Smart Light-adjusting Glass customers are primarily construction companies and contractors of developers. Our Smart Light-adjust Projection System customers are primarily construction companies and commercial users.

We generally manufacture our ITO film, Smart Light-adjusting Products and Smart Light-adjusting Projection System based on the purchaser orders we receive from our customers. We also manufacture ITO film in advance for external sales with reference to historical demand. The following table sets out a summary of our major type of customers by product type and possible applications within such category:

Type of product	Main type of customers	Possible applications
ITO film	Touch-screen device manufacturers	Smart Light-adjusting Film, Smart Light-adjusting Glass, touch-screen display products
Smart Light-adjusting Film	Construction companies and contractors of developers	Glass partition, windows of office or residential building or hotel
Smart Light-adjusting Glass	Construction companies and contractors of developers	Glass partition, windows of office or residential building or hotel
Smart Light-adjusting Projection System	Contractors of developers and users for commercial advertising and marketing purpose	Outdoor display, exhibition display, rear-projection home entertainment and television sets

Our key customers

The following table set out certain information in relation to our top five customers during the Track Record Period:

For the year ended 31 December 2014

	Customer	Principal business	Product sold to customer	Location	Approximate years of relationship as at the Latest Practicable Date	Approximate percentage of our total revenue (%)
1	Customer A	Conducts research and development, manufacture, and sales of electricity resistant and capacitive touch screens	ITO film	Shenzhen, PRC	5.8	16.1
2	Customer B	Constructs various projects ranging from housing, public works, disaster control among others	Smart Light-adjusting Glass	Sichuan, PRC	3.6	9.0
3	Customer C	Conducts research and development, manufacture and sales of resistant and capacitive touch screens	ITO film	Shenzhen, PRC	5.9	7.6

	Customer	Principal business	Product sold to customer	Location	Approximate years of relationship as at the Latest Practicable Date	Approximate percentage of our total revenue (%)
4	Customer D	Conducts research and development, manufacture and sales of professional touch screen products	ITO film	Dongguan, PRC	5.2	6.5
5	Customer E	Conducts research and development, manufacture and sales of PDLC smart film	Smart Light-adjusting Glass	Shenzhen, PRC	4.2	4.1

For the year ended 31 December 2015

	Customer	Principal business	Product sold to customer	Location	Approximate years of relationship as at the Latest Practicable Date	Approximate percentage of our total revenue (%)
1	Customer F	Processor and distributor of industry-specific machinery and glass slicer	Smart Light-adjusting Film and Smart Light-adjusting Projection System	Shenzhen, PRC	2.5	8.9
2	Customer G	Constructing curtain walls engineering, metal doors and windows, steel structure engineering, building curtain walls engineering designs, developing curtain wall glass, processing metal fittings, providing sub-contractor service, and providing curtain wall project management	Smart Light-adjusting Film	Jiangsu, PRC	1.7	7.8
3	Customer C	As described above	ITO film	Shenzhen, PRC	5.9	7.3
4	Customer H	Conducts wholesale and retail of optoelectronics materials, solar cells, building decoration materials and provide use of technological development and consulting services for marine renewable energy	Smart Light-adjusting Products and ITO film	Zhuhai, PRC	4.1	4.6

	Customer	Principal business	Product sold to customer	Location	Approximate years of relationship as at the Latest Practicable Date	Approximate percentage of our total revenue (%)
5	Customer I	Sales and processing of all types of construction, curtain wall steel; curtain wall accessories, steel parts, import of domestic chemical anchor, high strength bolts and other materials	Smart Light-adjusting Projection System	Beijing, PRC	1.7	4.4

For the year ended 31 December 2016

	Customer	Principal business	Product sold to customer	Location	Approximate years of relationship as at the Latest Practicable Date	Approximate percentage of our total revenue (%)
1	Customer J	Development of information technology, provision of consultation services and advertising services	Smart Light-adjusting Projection System	Shanghai, PRC	2.4	12.9
2	Customer K	Interior renovation and design and mainly engaged in the sales of rubber, plastic and water heating equipment	Smart Light-adjusting Glass	Zhuhai, PRC	0.8	6.6
3	Customer L	Development, sale and engineering of multi-media system, execution of cultural project and provision of marketing solution	Smart Light-adjusting Projection System	Guangzhou, PRC	1.2	6.2
4	Customer C	As described above	ITO film/Smart Light-adjusting Film	Shenzhen, PRC	5.9	5.8
5	Customer M	Provides services in relation to building engineering, curtain wall engineering, and internal renovation	Smart Light-adjusting Glass	Guangzhou, PRC	1.2	4.4

Customer H, our fourth largest customer in 2015 is also Supplier E, which was our fifth largest supplier in 2014. The reason for this arrangement was that Customer H/Supplier E is a trading company and therefore it may act as a buyer and/or a seller of the same material as part of their daily operations.

In 2015, Customer H sourced ITO film, Smart Light-adjusting Film and Smart Light-adjusting Glass from us and contributed approximately RMB2.8 million or approximately 4.6% to our total revenue. In 2014, we sourced ITO Targets, Smart Light-adjusting Film and Smart Light-adjusting Glass from Supplier E which accounted for approximately RMB1.7 million or approximately 4.7% to our total purchases. We sourced Smart Light-adjusting Products from Supplier E in 2014 during the period when we have not fully automated our production process for mass production of relevant products.

The following table sets out a breakdown of our gross profit attributable to Customer H over the Track Record Period:

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	118.2	2,793.6	N/A
Cost of sales	71.0	1,514.3	N/A
Gross profit from Customer H	47.2	1,279.3	N/A

For the years ended 31 December 2014, 2015 and 2016, sales to our five largest customers amounted to approximately RMB19.4 million, RMB19.9 million, and RMB32.6 million respectively, representing approximately 43.3%, 33.0%, and 36.0% respectively, of our total revenue, and sales to our largest customer amounted to approximately RMB7.2 million, RMB5.4 million, and RMB11.7 million respectively, representing approximately 16.1%, 8.9%, and 12.9%, respectively, of our total revenue.

None of our Directors, their close associates or our Shareholders who, to the best knowledge, information and belief of our Directors, owned more than 5% of our issued share capital, had any interest in any of our five largest customers during the Track Record Period and up to the Latest Practicable Date. Our Directors confirm that each of our five largest customers are Independent Third Parties.

Geographic location of our customers

During the Track Record Period, the majority of our customers were based in the PRC although we also have customers based in overseas markets. The following table sets out a breakdown of our revenue by region for the periods indicated:

	Year ended 31 December					
Product type	**2014**		**2015**		**2016**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Domestic						
— Mainland China	44,194	98.6	59,987	99.2	89,806	98.8
Overseas *(Note)*	611	1.4	490	0.8	1,081	1.2
Total	44,805	100.0	60,477	100.0	90,887	100.0

Note: Primarily relate to revenue from the export of our products to Australia, Peru, Germany and Dubai. The destination of the exports is based solely on the addresses of the customers as set forth in the sales invoices. Our customers may resell our products to end-customers located elsewhere.

SALES AND DISTRIBUTION CHANNELS

Over the Track Record Period, our products were sold to our customers through direct sales and the entering of distribution agency agreements. The following is a breakdown of our sales through these sales channels:

	Year ended 31 December					
	2014		2015		2016	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Direct sales	44,320	98.9	59,829	98.9	86,539	95.2
Distribution sales	485	1.1	648	1.1	4,348	4.8
Total	44,805	100.0	60,477	100.0	90,887	100.0

Since 2016, as part of our direct sales, we have also entered into five supply framework agreements with certain counterparties for the supply of our products. As at 31 December 2016, we have generated sales of approximately RMB4.9 million pursuant to these supply framework agreements. These supply framework agreements expired on 31 December 2016 and were not renewed due to our change in sales and marketing strategy.

Direct sales

Over the Track Record Period, most of our products were sold to our customers by way of direct sales whereby our customers directly place purchase orders with our sales department. Our practice is to enter into legally binding written contracts with our customers in respect of their purchases which are negotiated based on our standard contract for each type of our products.

Furthermore, we may from time to time enter into strategic arrangements or understanding with various counterparties in relation to the supply of our products to various projects. Such arrangements and understandings are generally of a cooperative nature but may not be legally binding although they may provide a framework for the entering into of legally binding sales contracts.

The following are some of the salient terms of our standard sales contracts:

(i) ***pricing***: the pricing of our products is usually determined by our pricing policy. Please refer to the paragraph headed "Sales and marketing — Pricing policy" in this section of this prospectus for further information. We generally do not offer any discounts on our products although we have adopted and implemented a discount policy on significant bulk purchases or sales to significant projects whereby all applicable discounts must be approved by our general manager;

(ii) ***delivery***: products will be delivered within the periods prescribed in the sales contract;

(iii) ***inspection and acceptance of products***: our customers are generally responsible for inspecting products on delivery; we require our customers to raise objections relating to product quality within five to seven business days from the date of delivery. Customers are deemed to have accepted the delivered products if they do not raise objections within this period;

(iv) ***warranty and product returns***: we warrant that our products are free from defects in materials and workmanship and we will generally arrange replacement of all products directly produced by us which are found to be defective, irrespective or whether or not such defect relates to quality issues (as verified by our quality control and technical departments) and/or which are attributable to our production or other processes prior to acceptance of the products by our customers. Please kindly refer to the paragraph headed "Customer management — Product returns policy and warranty" in this section of the prospectus for further information. The warranty period for our products ranges from one to five years from the date of delivery;

(v) ***credit terms***: credit terms which we grant to our customers are based on commercial negotiations and mutual agreement on a case-to-case basis following our assessment of their background (including known financial position and reputation), credit track record, length of business relationship with them, future business prospects as well as contract size of the relevant order. Under our credit policy, customers who have a good credit track record with us may be granted a 30 to 60 day extension to their previous credit periods, and customers who may have delayed payment to us once may be granted the same credit period as before. However, we will not supply any products to customers if they have missed three or more payments within a year. The credit period which we offer to our major customers over the Track Record Period ranged from one to six months while we may require small and new customers to settle payments against delivery of our products. Our Directors are of the view that our Group's credit policy is in line with industry norms; and

(vi) ***payment terms***: payment terms relating to customer orders are negotiated on a case-by-case basis with customers. We typically require the contract sum to be paid to us at the time of delivery or within a specified period from delivery. In some instances, we may require the customer to pay a portion of the contract sum as an initial deposit upon signing of the contract. Payments due to us are usually settled by our customers by way of bank transfer, bank acceptance bill or cheque.

Distribution agreements

Over the Track Record Period, we have entered into five distribution agreements with certain counterparties for the distribution of our Smart Light-adjusting Products and Smart Light-adjusting Projection System. These agreements were negotiated on a case-to-case basis with our counterparties. The following are some of the salient terms contained in most of these agreements:

Duration:	mostly one year to 18 months, but in a few instances up to three years
Geographic location for distribution:	primarily within Mainland China, with exceptions
Exclusivity:	others may not market similar products in specified geographic locations set out under the agreement
Rights and obligations of agent:	• must possess all relevant licences and approvals for carrying out distribution activities • must have at least five sales personnel to market products within prescribed geographic location(s) • may contract sub-agent(s) but will be fully responsible for its relationship with sub-agent(s) • should cooperate and collaborate with us for the distribution of certain products • responsible for all losses arising from illegal operations or breach of agreement • must keep all commercial and technical know-how strictly confidential
Our rights and obligations:	• supply of products pursuant to agreed price and supply schedule pursuant to sales orders • provision of sales and marketing materials and product samples • provision of product training and attendance at material exhibitions • ensure fair treatment in mitigating and treating conflicts among distributors

	• to provide designs, technical and installation support for participation in major events and projects • to provide technical support by phone and in person when necessary
Sales and pricing policy:	• may not market in our name but may market as our agent with consent • fixing the price within a prescribed range (subject to change with seven days' prior written notice) • sales by agent to sub-agents or projects must be marked up at a prescribed percentage of our supply price
Obsolete stock arrangements:	none
Goods return arrangements:	products must be in line with product standards and specifications. Any product defect must be notified to us in writing and we shall return relevant products free of costs and shipment fees, if the defect is found to be attributable to our fault
Sales targets:	quarterly and annual sales target must be reached or we are entitled to terminate the agreement
Payment and credit terms:	negotiated on a case-to-case basis based on assessment of background (including credit history) of the agent. Prepayment deposit may be required from agent or credit may be granted
Conditions for terminating and renewing agreement:	• terminable by us following an agent's failure to perform certain duties under the agreement • renewable one month in advance of the expiry date on the mutual agreement of both parties

Sales to our distributors are recognised as revenues similar to our direct sales, i.e. when significant risks and rewards of ownership have been transferred. No goods were returned from our distributors over the Track Record Period.

Our Directors believe that through the entering of such distribution agreements we will be able to effectively penetrate our target markets through the relevant distribution agents which will increase our brand awareness in the relevant markets. Our Directors are of the view that the entering into of such distribution agreements are on normal commercial terms, in the interest of our Group, and are in line with the industry norms.

Supply framework agreements

Since 2016, we have entered into five supply framework agreements with certain counterparties pursuant to which the relevant parties may acquire certain Smart Light-adjusting Products from Singyes Applicable Materials up to a maximum prescribed amount over the duration of the agreement. These counterparties may be provided a rebate of up to 5% of the sales amount upon sales to them have reached certain volume thresholds (calculated as a percentage of the maximum prescribed amount).

The entering of supply framework agreements with these counterparties were intended to assist in our sales of our products as they are traders and merchants of, among other products, ITO film and Smart Light-adjusting Products in the PRC. For the year ended 31 December 2016 and over the period from 31 December 2016 up to the Latest Practicable Date, we have generated sales of approximately RMB4.9 million and RMB2.4 million respectively, pursuant to these supply framework agreements.

The effective discount which we provide to counterparties of supply framework agreements is in line with our pricing policy to provide bulk discounts based on the volume of orders from a customer. We treat these counterparties in a similar way as our other customers (and not as our agents) and our terms of sales in the framework agreements are generally in line with those which we offer our other customers (other than in respect of the rebate). Revenues generated from sales orders of these customers would be recognised in the same way as our direct sales. The rebate terms offered to these counterparties are identical and therefore we do not expect any competition among these counterparties.

The amounts of sales we generated from the supply framework agreements with these counterparties were not satisfactory in 2016 and the counterparties (except one) were not able to reach the target threshold of volume which would entitle them to rebates pursuant to the terms of the relevant agreements. As such, our Group determined, and the counterparties agreed, not to renew the supply framework agreements which expired on 31 December 2016 but rather focus more of its sales and marketing efforts on direct sales. Notwithstanding such change in sales and marketing strategy, our Group continues to supply products to the relevant counterparties whose purchases continue to contribute to the revenue of our Group.

Our Directors believe that the entering of supply framework agreements were on normal commercial terms, in the interest of our Group, and are in line with the industry norms.

MARKETING

Our products are primarily marketed to and sold to customers in the PRC. As at 31 December 2016, our sales department had 38 staff comprising (i) a ITO film sales team; (ii) a Smart Light-adjusting Products sales team; and (iii) a Smart Light-adjusting Projection System sales team.

Our sales department is mainly responsible for formulating our sales and marketing strategies, identifying and developing potential customers and servicing existing customers.

Sales management policy

We have adopted and implemented a sales management policy and system which covers pre-sales activities as well as during-sales and after-sale management. Under such policy:

(i) pre-sales activities:

- we gather market information regarding our potential customers and competitors as well as market intelligence through various means including participation in industry exhibitions and associations and we will position ourselves accordingly following analysis of the information gathered

- annual sales plans will be devised and approved by our general manager; such plans will include monthly sales target as well as details of the composition of the sales team which will implement the sales plan. Sales plans will be reviewed on a semi-annual basis and adjusted if necessary taking into account such factors as market conditions

- product information which has not been previously disclosed will only be released to the public with the approval of our deputy general manager

- we may arrange meetings with potential new customers to introduce our products (and provide product samples where appropriate) to gain an understanding of the needs and business operations of our target customers. We will record details of these meetings and follow-up with potential customers where appropriate

(ii) during-sales management activities:

- upon receipt of a customer order, we will assess our ability to satisfy the customer's requirements and will immediately inform the customer if it is anticipated that we will not be able to do so. We will also carry out relevant due diligence (including obtaining of the customer's business licence, tax registration certificates and other licences) as well as arrange the execution of sales contract with the customer

- following receipt of a sales order, our sales department will prepare a sales contract for review of the relevant departments. In particular, (i) our technical department will review requirements relating to technical, quality, materials and installation perspectives; (ii) our production and procurement departments will review from logistics and inventory perspectives; and (iii) our quality control department will review from quality and packaging perspectives. Following the review, the relevant contract will be finalised and approved by our deputy general manager

- our sales department will keep track of our production process and product quality to ensure that they are in line with our customers' requirements; we will immediately notify our customer where any issues or problems are identified at any time over the production process

- our sales department will co-ordinate with our warehouse staff to arrange the most appropriate and efficient method of product delivery to our customers

(iii) after-sales management activities:

Please refer to the paragraph headed "Customer management" in this section of the prospectus in relation to after-sales and customer satisfaction surveys which we carry out on a periodic basis for the purpose of collecting feedback from our customers.

Pricing policy

We have adopted and implemented a policy for the determination of pricing of our products. Under such policy:

(i) we determine our prices on a "cost-plus" basis, which takes into account the cost of raw materials, processing (labour and utilities), and profit estimation based on market demand, expected market trends, historical sales data and prices of our competitors' products. As such, our Directors believe that we are generally able to pass on the procurement costs of raw materials to our customers. In addition to the increase in the price of our products caused by occasional fluctuations in price of raw materials, we conduct price review and adjustment on a quarterly basis based on the factors listed above and general market conditions. Towards the end of each procurement quarter, our procurement department is required to determine with our suppliers the purchase price of raw materials for the following quarter, and our price lists offered to our customers are devised based on such estimations obtained;

(ii) our financial department is responsible for performing pricing analyses from a financial perspective (including carrying out cost and breakeven analysis and profitability assessments) and reporting their findings and recommendations on pricing to the pricing policy team;

(iii) we closely monitor market prices for our raw materials, and we may change our prices before the start of a new quarter if we experience fluctuating cost of raw materials to ensure our prices are in line with our costs. Pricing decisions must be approved by our pricing policy team comprising our general manager, the deputy general manager of our sales department and the general manager of the financial department; and

(iv) once the price for our products have been determined, our prescribed pricing must be used when providing price quotation and when entering into sales contracts; discounts applicable to significant bulk purchases or sales to significant projects may only be given through compliance with our discount policy and following with the obtaining of approval from our general manager.

Sales and marketing activities

We mainly rely on our in-house sales teams for the sales and marketing of our products in the PRC. We have three sales teams, each consisting of eight to ten sales staff.

Our sales teams will promote our products to our customers and potential customers and try to gain an understanding of their business and operational needs. In order to raise our profile and awareness of our brand among potential customers:

(i) we regularly attend and participate in industry exhibitions in the PRC (including trade fairs at the China National Convention Centre and Shenzhen Convention and Exhibition Centre) and host demonstration seminars to promote our brand and showcase our products to potential customers;

(ii) we have engaged advertising, marketing agents and public relations professionals to devise strategies to promote our products and brand awareness as well as advise on public relations matters; and

(iii) we are involved a number of industry associations which will assist us in gathering market intelligence and gaining understanding on market access.

CUSTOMER MANAGEMENT

We are determined to maintain good and stable business relationship with our customers by ensuring that they are satisfied with our products and are provided with sufficient after-sales support. We believe that high customer satisfaction is key to our brand and reputation and results in sales through client referrals. We have adopted and implemented various company policies and procedures in respect of customer satisfaction and complaint handling, summaries of which we set out below:

Customer satisfaction review and complaints handling policy and procedures

We are keen to receive feedback from our customers as it helps us understand their evolving needs, which we believe is crucial to our ongoing business and product development. To this end:

(i) ***complaint handling procedure:*** our sales department is responsible for handling customer complaints. All customer feedback and complaints are recorded in our customer feedback log.

- *Quality related complaints:* Where the relevant feedback relate to product quality issues, the matter (including all relevant details) will be transferred to the quality control department which will supervise and lead all relevant departments to analyse the possible cause and identify possible solutions.

  The quality control department will examine and test the defective product using our quality control standards and where a defect is confirmed, a defect report will be issued to the technical department for assessment. Investigations will be carried out on the cause of the defect and rectification and preventive measures will be proposed for implementation to prevent similar incidents from arising in the future.

  Based on the findings from the quality control and technical departments, our sales department will devise a response to the relevant customer with appropriate proposal(s) to resolve the matter. Following delivery of the proposal(s) to the customer (usually involving replacement of relevant defective products), a further follow-up will then be carried out within next two business days to ensure that the customer is satisfied. If the customer is not satisfied with the results, the sales department may devise alternative solutions and where necessary, consult with senior management.

- *Staff related complaints:* Where the relevant feedback relates to staff conduct or attitude or failure to exercise care and diligence, the sales department will seek to ascertain the facts with the relevant staff as well as obtain and review relevant documentation, if any. Where the complaint is attributable to the fault of our staff, the matter may be brought to the human resources department for appropriate follow-up actions.

- *Contract related complaints:* Where the relevant feedback relates to a breach of contract or agreement or a regulatory breach, the sales department will report the matter (together with all relevant documentation) to senior management who will carry out detailed discussions as to appropriate actions to be taken. If necessary, external legal advisers may be consulted for advice.

(ii) ***after-sales survey:*** our sales department is required to carry out on-site customer visits at least once every month (to be accompanied by technical engineer(s) in at least two visits each year) to gain an understanding of their needs and level of satisfaction with the delivered products, receive their suggestions and comments as well as inform and update them as to measures adopted or implemented as a result of their suggestions and recommendations;

(iii) ***customer satisfaction survey:*** our sales department is responsible for formulating and conducting customer surveys on a periodic basis (at least annually) to obtain customer feedback. These surveys are used to evaluate our customers' satisfaction with our service quality as well as product quality.

All customers feedback received will be analysed and evaluated by our sales department who would be responsible for preparing a customer satisfaction report summarising the findings of the survey and which will take into account complaints and feedback that may have been received over the relevant period. Such a report will be circulated to all relevant departments and submitted to senior management for evaluation as to whether any follow-up action(s) needs to be taken.

Product returns policy and warranty

The following table sets out the amount of sales return relating to our delivered products during the Track Record Period:

Product type	**Year ended 31 December**		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
ITO film	598.1	206.0	57.8
Smart Light-adjusting Products	26.7	0.0	1.1
Others	1.7	23.5	0.0

We stand behind the quality of all our products and it is important to us that our customers are satisfied with our products. As such, our products come with a warranty against manufacturing and quality defects for a period of one to five years depending on the nature of the product.

During the warranty period, it is generally our policy to arrange replacement of products which are directly purchased from us which are found to be defective, whether or not such defects relate to quality issues (as verified by our quality control and technical departments) and/or which are attributable to our production or other processes which took place prior to acceptance of the products by our customers. The replacement products are shipped to our customers free of charge either on a standalone basis, or with the consent of the customers with their future shipments. While it is our policy not to offer refund repayments, we may provide relevant customers with credits for further orders in respect of products which are found to be defective.

Where it is found that a defect in a product(s) is not attributable to quality or our production processes (for example, due to improper handling over the transportation process), we will nevertheless offer reasonable assistance to our customers as well as devise and implement preventive measures to prevent similar incidents in the future.

Customer feedback and complaints record

The following table sets out details of customer feedback and complaints received by us over the Track Record Period, all of which were product related:

	Year ended 31 December		
Product type	**2014**	**2015**	**2016**
ITO film	10	8	3
Smart Light-adjusting Products	15	11	5
Smart Light-adjusting Projection System	N/A	0	0

Our complaints handing procedures were adhered to in dealing with each of the complaints and all details and rectification measures were adopted by all the relevant departments. For example, in one of our complaints, our customer reported that fingerprints and stains were discovered in certain of ITO films delivered. In response, our technical department verified the problem and identified that it could have been caused by improper handling by production staff over the production process or by the customer following delivery. To prevent reoccurrence, we determined to strictly enforce and strengthen our requirement that all our production staff wear gloves at all material times over the production process. Full details of the incident (including identity, time and place, departments and staff involved, issues identified and rectification measures taken) were recorded in the complaints log.

Over the Track Record Period and up to the Latest Practicable Date, all complaints relating to product related issues were handled and/or settled through replacement of relevant products pursuant to our production return policy and we have not made any refunds or been subject to any monetary claims. Our Directors confirm that during the same period, there had not been any material product returns or recall of products due to quality defaults which had a material adverse effect on our business and results of operations.

Handling of overdue balances

We review and monitor overdue balances and receivable balances on an ongoing basis, and our finance department generates periodic trade and bills receivables ageing reports to alert our senior management of overdue balances.

Our sales department is required to state clearly on our monthly billing statements to customers the amount of their total overdue balance, and our customers are subsequently required to confirm such amount. With a view to reduce overdue balances, our sales team will communicate with our customers to remind them of amounts payable in advance of payment dates. In connection with overdue balances, we will take the following measures to pursue settlement:

For balances which are overdue:

(i) from customers with stable operating conditions, we will remind them to make payment and such reminder will be made through telephone or electronic means;

(ii) for more than six months, we will issue a written overdue payment letter to customers in arrears. Our senior management personnel may also intervene in the matter; and

(iii) for more than a year, and if the business of the relevant customers are at risk, we may commence legal proceedings against the relevant customers for the collection of outstanding amounts.

INVENTORIES

We constantly monitor our inventories, which include raw materials, works-in-progress and finished products. We strive to maintain optimal inventory levels to meet customer demand while managing our working capital requirements. As at 31 December 2014, 2015 and 2016, our inventories were approximately RMB13.6 million, RMB8.6 million and RMB11.9 million respectively. For the years ended 31 December 2014, 2015 and 2016, our inventory turnover days were approximately 111.0, 110.9 and 66.8 days, respectively. More information on our inventories and inventory turnover days during the Track Record Period is set out in the section headed "Financial information — Inventories" of this prospectus.

We monitor our inventory levels in accordance with our inventory management policy and make provisions in accordance with our accounting policy. During the Track Record Period, we did not make any provision for impairment of our inventories.

Under our inventory policy:

(i) once we receive any procured raw materials, our procurement department must inspect its packaging for signs of any damage. Damage which may have been caused during delivery must be recorded in writing with photos taken as proof for future claims and the relevant logistics company may be contacted for immediate follow-up action;

(ii) once packaging of raw materials received is thoroughly inspected, the relevant shipment is transferred to our inspection area wherein staff from our procurement department would check the shipment and record in writing whether the name, model, origin, amount, accessories and other information relating to the shipment of raw materials accords with the specifications detailed in the relevant procurement contract;

(iii) once our procurement department has confirmed that the contents of a shipment are consistent with the relevant procurement contract, the shipment is transferred to the quality control department for further sampling and inspection from a quality control perspective. Basic raw materials may bypass inspection by the quality control department and are inspected directly by staff requesting the order;

(iv) raw materials fulfilling quality control requirements are transferred to our warehouse staff who would be responsible for registration, recordation as well as arranging warehousing and storage. Raw materials failing quality control requirements will be physically segregated and stored separately for further disposal;

(v) production staff requesting raw materials are required to complete procurement slips which are approved by supervisory staff to retrieve requisite raw materials and our warehouse staff would arrange retrieval of raw materials on an "first in first out" basis;

(vi) chemical reagents and industrial gases are stored separately from other materials and stored out of range of any potential sources of fire, water or electricity; and

(vii) all materials stored as inventory must be clearly labelled and handled with care and stored in the appropriate environment (in respect of temperature and humidity).

We primarily procure raw materials for ITO films and Smart Light-adjusting Products based on customer demand, but we generally maintain our inventory of raw materials at levels that we believe are sufficient for two to three months of production. Our production department is responsible for making decisions on the procurement of raw materials based on internal production management plans. Currently, our deputy general manager, who has more than 15 years of relevant experience, is in charge of our production department. More information of on our inventories and inventory turnover days during the Track Record Period is set out in the section headed "Financial information — Inventories" of this prospectus.

RESEARCH AND DEVELOPMENT

We believe our research and development capabilities are important for developing new products and we therefore devote resources and efforts to continually optimise and enhance the functionality of our products, our production process and technologies as well as exploring the possibility of introducing new applications to existing products.

Qualifications and core focus of our research and development team

To advance our research and development capabilities, we have established a professional research and development team comprising 14 staff as at 31 December 2016 with relevant qualifications and experience. All of our research staff have research related qualifications and possess diploma, bachelor, master and/or doctorate degrees in such fields as material science, engineering, polymer chemistry, electronics, automation and computer science.

Our research and development team has the following core focuses and responsibilities:

(i) conduct research and development of new materials and products which can be used to enhance the quality of our existing products;

(ii) enhance our production capability relating to ITO film and Smart Light-adjusting Film through continued research;

(iii) explore and improve ways in which our ITO film and Smart Light-adjusting Products can be applied, fitted and adapted for use by our customers as well as to improve the ease, flexibility and efficiency of installation;

(iv) explore and examine proposals and potentials solutions to challenges through the integration and application of advanced projection and display technologies, for the development of our Smart Light-adjusting Projection System; and

(v) cooperate and form alliances with various local and overseas universities, research institutions as well as high-tech companies with a view to progressing and advancing existing technologies through the exchange of technical know-how and collaboration.

Research results

Our continuous research and development efforts (which include cooperation with research institutes and universities in the PRC and abroad) have led to:

(i) the development of technologies that improve the performance of our products in terms of functionality and application, quality, environmental-friendliness and energy consumption.

For instance, we developed our own PDLC configuration to improve the quality of our Smart Light-adjusting Film and Smart Light-adjusting Glass and adopted our self-developed fluorine-containing PDLC formula, coupled with the optical grade flexible ITO film material, to produce Smart Light-adjusting Film which has more than 95% haze rate when it is switched off and 76% light transmission rate when it is switched on.

(ii) development of certain technological know-how which are patented with intellectual property offices in the PRC. Please refer to the paragraph headed “Intellectual property” in this section for further information;

(iii) the publication of various articles in published industry-related periodicals;

(iv) the recognition as a 廣東省高新技術企業 (High-Tech Enterprise of Guangdong Province*) in 2015 by the Guangdong Provincial Science and Technology Bureau, Guangdong Provincial Finance Bureau, Guangdong Provincial State Administration of Taxation, and Guangdong Provincial Local Taxation Bureau;

(v) our operating subsidiary, Singyes Applicable Materials, being commissioned by the China Building Material Federation (中國建築材料聯合會) and other authorities as a leading drafting party of national and regional industry standards in the PRC for Smart Light-adjusting Products due to our recognition as a key participant with active contribution to research and innovation in the industry. In particular, we were a lead drafting party for the following industry standards:

Year	Project	Level of standard	Standard
2015	電致液晶貼膜調光玻璃 (Laminated electron photoresist switchable glass*) (20152253-T-609)	National standard	In the process of drafting
2015	電致液晶調光膜 (Laminated electron switchable transparent film*)	Provincial standard	In the process of drafting

Our Group has also filed and recorded corporate standards in relation to 液晶調光膜 (liquid crystal light-adjusting film*), 貼膜調光玻璃 (photoresist switchable glass*), 光學級透明氧化銦錫 (ITO film*), 電致液晶夾層調光玻璃 (laminated electron light-adjusting glass*) and 中空玻璃 (hollow glass*), with relevant PRC government authorities.

(vi) award of various subsidies and grants from the PRC government in acknowledgement of our research efforts. The following subsidies and grants were granted to us by the Guangdong Provincial Department of Science and Technology and the Zhuhai Municipality of the Ministry of Finance of the PRC over the Track Record Period:

Year	**Project**	**Amount** *(in RMB)*
2016	Incentive for new high-tech enterprises	600,000
2015	Interest subsidy for promotion of imports	887,600
2015	Special fund for enterprises in the new high-tech enterprise cultivation database	166,300
2015	Supporting fund for expanding imports	95,100
2013	Industry-university-government research cooperation fund	800,000

(vii) developed technologically advanced production equipment, formulas, systems and process know-how tailored to our production needs. A summary of our key material research results in recent years is set out below:

Product	**Our research results**
ITO film	developed a type of capacitive ITO screen
Smart Light-adjusting Film	developed a method for roll-to-roll continuous processing of Smart Light-adjusting Film
	developed a type of self-adhesive Smart Light-adjusting Film
Smart Light-adjusting Glass	developed a double-layered bound Smart Light-adjusting Glass product
Smart Light-adjusting Projection System	developed technology to enhance the haze rate of Smart Light-adjusting Glass for the use of projection systems

Research related expenses

For the years ended 31 December 2014, 2015 and 2016, we have invested approximately RMB1.6 million, RMB2.0 million and RMB2.2 million on our research and development efforts respectively (representing approximately 11.8%, 12.7% and 8.2% of our total expenses for the respective periods). Our research and development expenses mainly consist of trial production cost of new products at our production facilities, remuneration of our research specialists, costs of raw materials we use in our laboratory testing and expenditures on purchasing new equipment or improving existing equipment.

It is our policy to set aside an annual budget for research and development. In order to ensure research efficiency and to encourage innovation, we have adopted and implemented:

(i) a detailed policy for managing our use of research and development funds as well as monitoring progress for each of our projects; and

(ii) a detailed incentive policy to award our research staff for research related-achievements (such as for technological or materials breakthroughs and advancements, publication of research papers and articles or the successful grant of patent applications).

For the information of our future plans on research and development, please refer to the section headed "Future plans and use of proceeds" of this prospectus.

HONOURS AND AWARDS

We have received honours and awards from various entities in the PRC since the establishment of our Company in 2010 in recognition of, among other things, our products, management and overall reputation as a supplier in the PRC. The following table sets forth our awards and honours:

Awards/honours	Year awarded	Awarding organisation
理事單位 (Managing Unit*)	2012-2015	深圳市平板顯示行業協會 Shenzhen Flat Panel Display Industry Association — Touch panel branch*
Best Supplier	2015	China Hotel Association (中國飯店協會)
第三屆"市長杯"— 工業設計大賽 優秀獎 —"調光投影系統" (Third Major's Cup of Zhuhai — Excellence Awards of the product group of Industrial Design Competition — "Smart Light-Adjusting Projection System")	2015	珠海市第三屆"市長杯"工業設計大賽 組委會 (Zhuhai City Government Third Major's Cup Industrial Design Competition Committee)
優秀供應商 (Excellent Suppliers*)	2013	中觸實業(深圳)有限公司 (Touch-China Industry (Shenzhen) Company Limited*)
"ITO導電膜"2012年度廣東省 優秀自主品牌 ("ITO film" 2012 Guangdong Provincial Excellent Independent Brand*)	2013	廣東省企業聯合會與廣東省企業家協會 (Guangdong Provincial Enterprise Confederation and Guangdong Provincial Association of Entrepreneurs*)

MARKET AND COMPETITION

According to the F&S Report, the ranking of Singyes Applicable Materials, our key operating subsidiary, in the ITO film and Smart Light-adjusting Products markets in the PRC in terms of market share by revenue for the years ended 31 December 2014 and 2015 were as follows:

	Year ended 31 December	
	2014 ranking (market share)	**2015 ranking (market share)**
ITO film	9 (2.4%)	8 (2.1%)
Smart Light-adjusting Products (Smart Light-adjusting Film and Smart Light-adjusting Glass)	2 (20.1%)	1 (20.4%)
Smart Light-adjusting Projection System	N/A*(Note)*	1 (51.2%)

Note: We did not participate in the Smart Light-adjusting Projection System market in the year ended 31 December 2014

According to the F&S Report, we were the leading manufacturer of Smart-Light adjusting Products and Smart Light-adjusting Projection Systems in terms of market share in the PRC for the year ended 31 December 2015 and one of the few manufacturers which are fully vertically integrated in our production with the expertise to manufacture ITO films as well as related downstream products. We believe that our leading position in the PRC will positively position us to capture future opportunities arising from the expected continual growth in demand for ITO films and related downstream products in the PRC.

Competitive landscape

According to the F&S Report:

- the PRC ITO film market is a highly centralized market whereby the top ten manufacturers accounted for 83.9% of total market share in 2015 and it is expected that these manufacturers will consolidate or increase their market position going forward. We principally compete with these domestic ITO film manufacturers and ranked ninth and eighth in terms of market share for the years ended 31 December 2014 and 2015 respectively

- the Smart Light-adjusting Products market is also a centralized market whereby the top five manufacturers accounted for approximately 80% of the total market share revenue in 2015. We principally compete with these domestic Smart Light-adjusting Products manufacturers and we ranked second and first in terms of market share for the years ended 31 December 2014 and 2015 respectively

- in the Smart Light-adjusting Projection System market, we principally compete with another domestic manufacturer which, along with our Group, accounted for approximately 84.7% market share by revenue for the year ended 31 December 2015

Barriers of entry

There are high barriers to entry to each of these markets including:

- dominance over core production resources by large-scale manufacturers with strong financial capabilities
- requirement of substantial capital investment in production facilities
- necessity to devote substantial resources to research and development as well as product enhancement
- necessity to develop sales teams equipped with substantial technical knowledge
- ability to establish long-term relationship with downstream customers
- ability to engage in mass production to take advantage of economies of scale and lower average production cost
- sales and marketing capability and network coverage
- for manufacturers of ITO related downstream products, the ability to engage in vertical integration from upstream activities to achieve production cost control and to establish long-term relationship with end-users

Please refer to the section headed "Industry overview" for further details regarding our competitive landscape and barriers of entry to the markets in which we operate and the section headed "Risk factors — Risks relating to our business — competition in the ITO film and Smart Light-adjusting Products could materially and adversely affect our financial performance" for further information regarding relevant risks relating to competition faced by our Group.

INSURANCE

Over the Track Record Period and up to the Latest Practicable Date, Singyes Applicable Materials has maintained cargo transportation insurance which provides protection against all risks of physical loss or damage to freight arising from any external causes (subject to exceptions, such as force majeure events) during shipping and transportation within the PRC. The insurance covers the declared or actual value of the cargo lost or damaged over the period from the time the cargo leaves the premises of Singyes Applicable Materials until collection and delivery of the cargo at the destination. Singyes Applicable Materials has also maintained insurance policies covering risks in respect of its machinery and equipment. The relevant insurance providers are Independent Third Parties.

We have not obtained any insurance which provides for protection against business interruptions, product liability claims, thief, litigation or proceedings and personal injuries arising from the use of our products. As confirmed by our PRC legal advisers, we are not required to maintain these insurance for our business operations under the laws and regulations of the PRC.

Our Directors believe that our Group has taken out sufficient insurance for our operations and that the coverage of insurance obtained is generally consistent with industry practice and provides adequate protection for our assets and operations.

During the Track Record Period and up to the Latest Practicable Date, we made two insurance claims in relation to damage caused to several Smart Light-adjusting Glass panels over the delivery process. The claimed amounts were not material to our business operations. As we were fully insured against such losses, we did not suffer any financial loss. Nevertheless, we have taken appropriate follow-up action with the affected customers (including arranging refunds and replacements) and have adopted measures (including ensuring clearer labelling of fragile contents on our cargo) to reduce the incidence of similar events in the future.

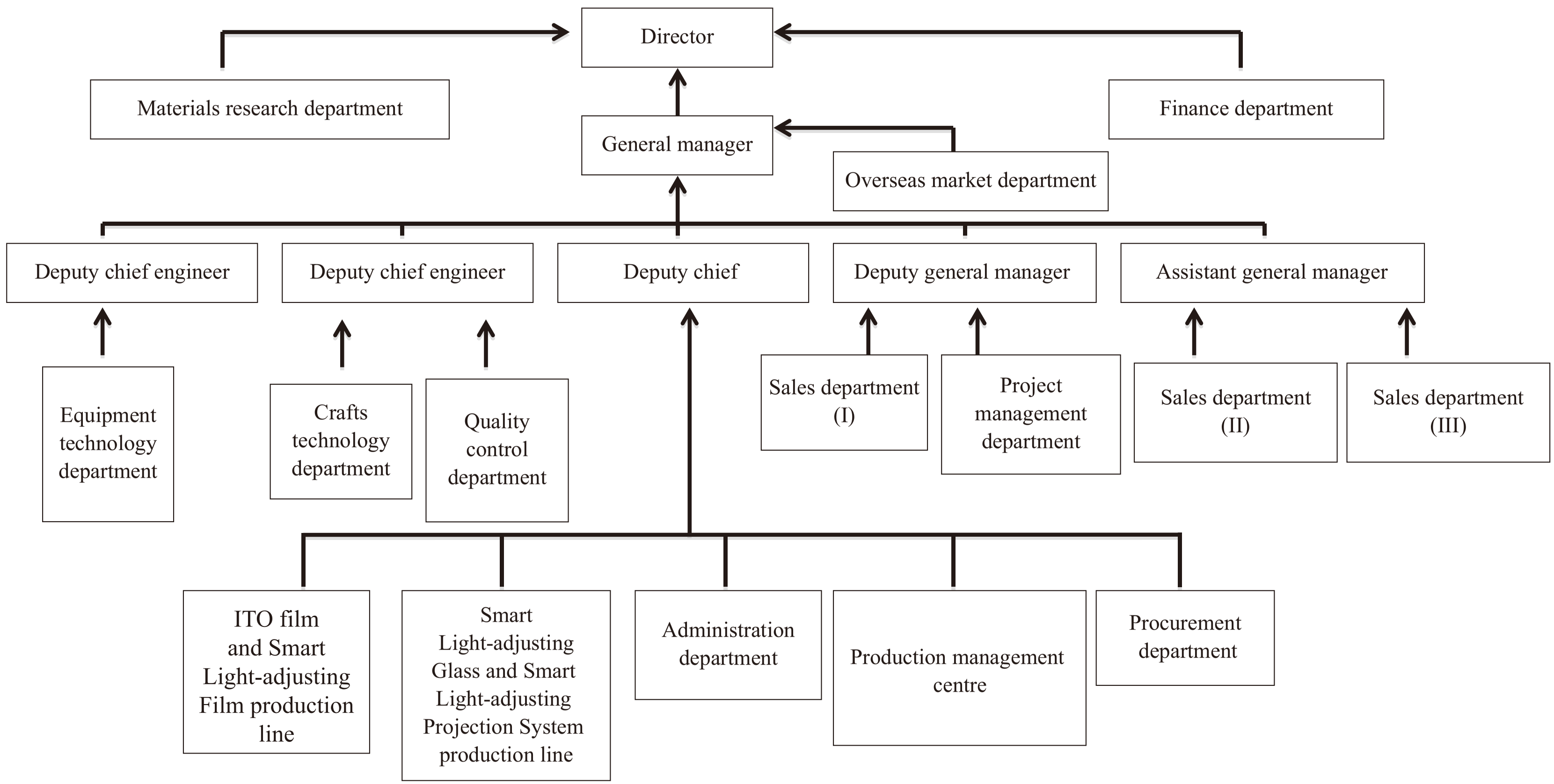
Further information in relation to other claims or liabilities not covered by insurance is set out in the sectioned headed "Risk factors — Our insurance coverage may not completely cover the risks related to our business and operations" in this prospectus.

EMPLOYEES

As at 31 December 2014, 2015 and 2016, we employed 109, 111 and 113 full-time employees, respectively. The following table sets out the total number of employees engaged by our Group by function as at 31 December 2016:

Function	**Number of employees**	**% of total**
Management	3	2.7%
Production	35	31.0%
Quality control	10	8.8%
Research and development	14	12.4%
Administration	2	1.8%
Sales and marketing	38	33.6%
Finance	5	4.4%
Procurement	2	1.8%
Machinery maintenance	4	3.5%
Total	**113**	**100%**

The following diagram sets out our reporting and management structure:



We enter into labour contracts with each of our employees in accordance with PRC labour law. As confirmed by our PRC legal adviser, we have not been subject to any penalties in relation to any violation of PRC labour laws and regulations.

We recruit employees based on the requirements of the relevant positions, the experience and qualification of the employee and the prevailing market conditions at the relevant time. As at the Latest Practicable Date, we had not experienced any significant labour shortage, issue or dispute that had disrupted our operations nor had we experienced any difficulty in recruiting and retaining experienced and suitably qualified staff. We conduct a yearly review to analyse reasons for employee turnover (if any) and follow-up suggestions of how to retain employees for senior management's consideration.

Our Directors believe that our success depends on our employees' consistent, reliable and high-quality work. In order to attract, retain and develop the knowledge, technical skills and quality of our employees, we place a strong emphasis on providing adequate training to our employees. Our administration department is required to arrange, manage and assess all our training programs whilst our deputy general manager is required to review annual training targets as well as our implementation of training programs. These training programmes will cover important aspects of our production process including the importance of maintaining high quality standards as well as operational safety and hygiene in the work environment.

Our Directors believe that we offer our employees competitive remuneration packages. Our employees are remunerated based on their individual qualifications, job experience and performance while our sales staff may also receive a sales bonus based on the volume of sales generated through them. We make contributions for our employees in relation to the mandatory social security funds including pension, work-related injury insurance, maternity insurance, medical and unemployment insurance in accordance with applicable laws and regulations of the PRC. We also provide non-statutory benefits to our staff including technical skills grants, special post allowances, patents-related thesis writing incentives, wedding gifts, children's education allowances, festivities allowances and we also offer shuttle transport, free meals, body checks, training and dormitories for our employees.

INFORMATION SYSTEMS

We believe our information technology systems are important to our daily business operations. We have successfully implemented enterprise resource planning (ERP) systems to support our production processes, quality control, inventory, delivery, procurement, sales, costs management, accounting functions and human resources management.

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we have registered 32 patents in the PRC and have five patent registration applications pending. Of the registered patents (i) 13 are self-developed product/ technology patents, three are self-developed production techniques and/or methods and 16 are other intellectual property know-how; and (ii) five are directly related and/or involved in the production of ITO films, six are directly related and/or involved in the production of Smart Light-adjusting Film, four are related and/or involved in the production of Smart Light-adjusting Glass and the remaining 17 related to other materials, devices and applications.

Such patents relate to proprietary know-how in connection with various materials, processes, systems and equipment concerning the production of ITO film and Smart Light-adjusting Products developed by us. In addition, we have registered two trademarks and made two trademark applications in the PRC and one trademark application in Hong Kong. We are also the registered owner of one domain name for the website www.syeamt.com. Please refer to the paragraph headed "Further information about the business of the Group" in Appendix IV to this prospectus for further information regarding or pending or registered intellectual property rights.

We do not register all of our self-developed production techniques, technology and methods, new material composition formulas, blue-prints, designs as well as other core intellectual property know-how with offices in the PRC or elsewhere as we consider that the preservation of secrecy of such know-how is absolutely crucial to maintaining our competitive advantage and any leakage of such technical information or data to our competitors may materially and adversely affect our business. As such, our Directors believe that it would be prudent not to register such specialised or proprietary know-how with public authorities and/or agency to minimise the risk of leakage. Such know-how relate to, *inter alia*, the following:

(i) the ITO film coating process;

(ii) formula relating to PDLC composition;

(iii) process and equipment relating to roll-to-roll production of Smart Light-adjusting Film; and

(iv) electrode nailing and edge sealing processes used in production of Smart Light-adjusting Film.

In order to safeguard such know-how from leaking to our competitors, we have adopted and implemented the following measures, all of which are strictly enforced:

(i) all our staff (whether or not they may be exposed to technical know-how in their course of employment) are bound by our research findings confidentiality policy as well as strict confidentiality provisions in their employment contract prohibiting them from disclosing any technical know-how, intellectual property or other valuable information (such as discreet projects relating to production, research and technology exchange) to any third party. Where necessary, certain staff who may have access to sensitive know-how are required to provide further confidentiality undertakings to us. Such confidentiality provisions and undertakings are strictly enforced and any staff found in breach may subject them to fines, termination of employment and/or legal proceeding which we may commence against them (depending on severity of breach);

(ii) in respect of particularly sensitive technical know-how (such as a technical formula) which may be applied towards a particular segment of our production process, the relevant staff will be imparted with only part of the know-how on a "need-to-know" basis and no person would have the full know-how. Such segregation makes it extremely difficult for one or more staff (in breach of their confidentiality obligations or otherwise) to leak or take advantage of commercially sensitive information in their possession;

(iii) all commercially valuable technical know-how (in physical or electronic form or otherwise) are sufficiently segregated, safeguarded and secured with restricted access only to senior management level personnel;

(iv) where it is necessary in the course of business to disclose confidential information to counterparties or third parties, the prior approval of the general manager (and where necessary, Directors) must be obtained;

(v) access to sensitive production facilities are generally restricted to limited authorised personnel designated to operate relevant facilities;

(vi) clearance of designated supervisory staff (and where necessary, senior management) is required for any photocopying, recording or transmission of technical know-how; and

(vii) we have entered into confidentiality agreements with each of our collaborative research and development partners and we generally do not disclose trade secrets to third parties.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any intellectual property infringement claims which had a material impact on our Group. For details relating to risk of such claims, please refer to the section headed "Risk factors — We may be exposed to intellectual property infringement and/or other claims by third parties that, if successful, could disrupt our business and materially affect our financial condition and results of operations" in this prospectus.

ENVIRONMENTAL PROTECTION, HEALTH AND OCCUPATIONAL SAFETY

Environmental protection

We have adopted and implemented an environmental protection policy to ensure responsible disposal of wastes and to minimise damage and material disruptions to the environment in the proximity of our production base.

We are required by the relevant environmental agencies of the PRC to comply with the following requirements and restrictions:

(i) to ensure that noise pollution caused by our production facilities are in compliance with prescribed noise pollution thresholds;

(ii) no discharge of any industrial waste or sewage;

(iii) prohibition on the operation, use or disposal of imported electronics solid waste materials;

(iv) waste from production, scrap and packaging materials must be recycled for use; and

(v) waste considered by the PRC government to be harmful and dangerous substances must be disposed of by suitably qualified waste disposal companies with relevant requisite licences.

Our Directors confirm that our operations have complied with, and will comply with, all the above requirements and restrictions as well as all applicable PRC environmental laws and regulations in all material aspects. Our PRC legal advisers have confirmed that we have not been subject to any penalties or administrative sanctions arising from non-compliance of national or local environmental laws and regulations and had not been subject to any material environmental claims, lawsuits, or disciplinary actions during the Track Record Period.

Health and occupational safety

We are required to comply with work safety laws and regulations imposed by the government authorities in the PRC. We have implemented various occupational health and safety procedures to maintain a safe work environment, including (i) providing guidance for operational and safety control procedures to all employees; (ii) adopting protective measures at our production facilities; (iii) inspecting our equipment and facilities regularly to identify and eliminate safety hazard; and (iv) providing regular training to our employees on safety awareness. We have established a work safety committee to monitor and ensure the effective implementation of our health and safety procedures. As our business expands, we will continue to regularly review our occupational health and safety procedures to ensure they comply with industry customary practices and applicable legal standards.

Taking into account our obligations to comply with Work Injury Insurance Regulations (工傷保險條例) and Guangdong Province Work Injury Management Regulations (廣東省工傷管理條例) of the PRC, we have a policy which states that in the event of a reportable work injury (i) our human resources staff must report the accident and injury to the Zhuhai Human Resources and Social Insurance Department of the PRC (珠海人力資源和社會保障局) within 24 hours of the relevant incident; and (ii) a report will be submitted by our human resources staff on behalf of the injured staff to the relevant governmental department within 30 days. The injured staff is entitled to periodical payments during his or her temporary incapability to resume work due to the injury. In cases where the injured person is a temporary staff or is working past retirement age, our human resources staff must contact the relevant insurance company and follow-up with the matter. However, he or she will not be entitled to periodical payments during his or her period of absence from work. Work injuries must be filed and kept on record for two years and we are required to conduct investigations following the accident.

Over the Track Record Period and up to the Latest Practicable Date (i) we had not encountered any material unplanned business disruptions due to health and safety issues, nor had we received any material health and safety related claim from any existing or former employees for any accident occurred; and (ii) we had complied with applicable laws and regulations in the PRC relating to health and safety related matters in all material aspects and have implemented robust internal control policies and procedures to ensure the on-going compliance.

PROPERTIES

Leased properties

As at the Latest Practicable Date, our Company leased one property from the Remaining Group, with an aggregate gross floor area of approximately 5,740 sq.m.. A summary of the lease arrangement is set out below:

No.	Description/ location	Gross floor area (sq.m.)	Lessor	Monthly rental	Existing usage	Duration
1.	Levels 1 and 2, Factory Building No. 7 of Zhuhai Xingye New Energy and Industrial Park, 9 Jinzhu Road, Gaoxin District Zhuhai City, Guangdong province of the PRC	5,740	Singyes Energy-saving	RMB86,100	Offices and factories	1 October 2015 to 30 September 2018
2.	Level 1 and 2, Factory Building No. 7 of Zhuhai Xingye New Energy and Industrial Park, 9 Jinzhu Road, Gaoxin District Zhuhai City, Guangdong province of the PRC	5,740	Singyes Energy-saving	RMB91,840	Offices and factories	1 October 2018 to 30 September 2021

The above property was leased from the lessor who was able to provide valid title certificates. Our Directors confirm that we are using these leased properties in accordance with the permitted usages under the relevant lease agreements.

As at 31 December 2016, no single property interest forming part of our Group's property activities had a carrying amount of 1% or more and no single property interest forming part of our Group's non-property activities had a carrying amount of 15% or more of our total assets. Thus, this prospectus is exempted from compliance with the requirements of Rules 8.01A and 8.01B of the GEM Listing Rules and the requirements of section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, with respect to the inclusion of a property valuation report in this prospectus.

REGULATORY COMPLIANCE AND LEGAL PROCEEDINGS

We may from time to time become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of our business. As of the Latest Practicable Date, we were not a party to, and we are not aware of, any legal, arbitral or administrative proceedings, which, in our opinion, is likely to have a material and adverse effect on our business, financial conditions or results of operations.

Save as disclosed in the section headed "Non-compliance" below, our PRC legal advisers have confirmed that during the Track Record Period and up to the Latest Practicable Date, our Group has complied with applicable laws and regulations in the PRC in which we operate and that we had obtained all permits, licenses, qualifications, authorizations and approvals material to our business operations. In addition, our Directors believe that we have implemented sufficiently robust internal control policies and procedures to ensure our on-going compliance with applicable laws and regulations by our Group, our Directors and our senior management.

NON-COMPLIANCE

Our PRC legal advisers have confirmed that our Group has not been involved in any non-compliance of applicable PRC laws and regulations over the Track Record Period, save as the failure to make social security and housing contributions to our employees in full compliance of the relevant PRC laws and regulations, as described below.

Relevant PRC laws and regulations

According to 關於規範社會保險繳費基數有關問題的通知 (the PRC Social Insurance Law and the Notice on Regulating Social Insurance Payment Basis Related Issues*), our Group is required to make an employers contribution to employees' social insurance contribution based on the employee's actual total remuneration over a certain period of time.

According to 住房公積金管理條例 (the Hosing Provident Fund Management Regulations*) and 關於住房公積金管理若干具體問題的指導意見 (the Guidance on the Problems of the Management of Housing Provident Fund*), we are required to make an employer's contribution to employees' housing contribution based on the employee's monthly average salary in the last year.

Event of non-compliance

We have made social security and housing provident fund contributions for our employees on the basis of not less than the minimum payment bases as required by local competent departments (being the minimum amount announced by 珠海市人力資源和社會保障局 (Zhuhai Human Resources and Social Security Bureau*) and 珠海市住房公積金管理中心 (Zhuhai Housing Provident Fund Management Center*)) rather than on the basis of the payment requirements required under the relevant PRC laws and regulations described above.

We estimated that the aggregate amount of unpaid social security and housing provident fund contributions during the Track Record Period was approximately RMB1,150,000.

Over the period of non-compliance, relevant members of senior management includes our current Directors and senior management as disclosed in the section "Director, senior management and employees" of this prospectus for further information.

Legal consequence for non-compliance and maximum potential penalty and other financial liabilities

Our PRC legal adviser advised that, (i) the relevant PRC authority may order our Group to pay the unpaid social security contribution within a prescribed time limit, failing which, for any unpaid contribution, a late penalty of 0.05% per day of the unpaid amount and a further fine equivalent to one to three times of the unpaid amount may become payable by our Group; and (ii) the relevant authority may order our Group to pay the unpaid housing contribution within a prescribed time limit, failing which, the PRC authorities may seek an enforcement order from the People's Court.

Reason for non-compliance

As our employees also have responsibility to make their respective share of contribution to the social security and housing provident fund, their salaries may need to be reduced if contributions were made to the full extent of the social security and housing provident fund.

No enforcement actions or proceedings to date

In 2014, we made provision of approximately RMB120,000 for such non-compliance whereas we did not make any provision in 2015 and 2016. The reason for the absence of provision in 2015 and 2016 that the Director believed the risk of being penalised is relatively low.

As at the Latest Practicable Date, our Group has not received any notice of violation of any relevant social security and housing laws and regulations. Our Group has not received any notice for payment of administrative penalties from the relevant authority. Moreover, our Group has not received any notification from the relevant authority ordering us to make unpaid social security or housing contributions to our employees otherwise.

Rectification actions taken and/or to be taken

We understand through discussions with the relevant PRC authorities that they will not normally impose administrative penalties on enterprises in relation to failure to make full social security and housing provident fund contributions unless there have been any complaints from an employee. Further, we have obtained the following confirmations:

(i) 珠海市住房公積金管理中心 (The Zhuhai Housing Provident Fund Management Center*) issued a certificate to us dated 2 June 2016 certifying that, during the period between 1 June 2013 and 30 April 2016, there were no findings of administrative penalties from relevant authority; and

(ii) 珠海市人力資源和社會保障局 (The Zhuhai Human Resources and Social Security Bureau*) also issued a letter dated 8 June 2016 certifying to our Group that, during the period between 1 June 2013 and 31 May 2016, there were no findings of violation of labor laws and regulations and there were no records of administrative penalties and proceedings due to violation of labour laws and regulations.

We have received waiver letters from all relevant employees to the effect that they have agreed not to pursue our Group in relation to the non-compliance with social security and housing provident fund requirements under PRC laws and regulations.

To prevent future non-compliance, we have adopted measures set out in the paragraph headed "Measures implemented to prevent potential non-compliance" below, which will involve, among others, regular review of our social security and housing provident fund contributions by our audit committee who will make recommendations if necessary.

Indemnities

Singyes Solar, one of our Controlling Shareholders, has entered into the Deed of Indemnity to indemnify our Group, in respect of, amongst others, any liability (including all damages, losses, claims, fines and penalties that may be imposed, charges, fees, costs, interests and expenses (including all legal costs and expenses) together with all reasonable costs and other liabilities which our Company and/or any of our Subsidiaries may sustain, suffer, incur or be imposed by any regulatory authorities or courts) as a result of any violation or non-compliance or alleged non-compliance by any members of our Group with any applicable laws, rules or regulations of any jurisdiction, including but the event of non-compliance described above.

Assessment of impact to our Group

Given that (i) the employees have undertaken by way of letters of confirmation not to pursue our Group's liabilities, (ii) our Group has not been penalized by 珠海市住房公積金管理中心 (Zhuhai Housing Provident Fund Management Center*) as at the Latest Practicable Date; and (iii) the Deed of Indemnity has been executed by Singyes Solar, our PRC legal adviser has advised that the risk of direct penalties to be imposed by relevant authorities on our Group is relatively low in relation to the aforementioned non-compliance issue.

Our Directors believe that such non-compliance issue will not cause material loss and impact on the business and operations of our Group.

Directors' confirmations

Our Directors have confirmed that, save as disclosed above, we have complied with all relevant laws and regulations in the jurisdictions in which we operate during the Track Record Period and up to the Latest Practicable Date.

Measures implemented to prevent potential non-compliance

In order to continuously improve our corporate governance and to prevent incidence of non-compliance in the future, we intend to adopt or have adopted the following measures:

(i) we have appointed Octal Capital Limited as our compliance adviser with effect from the Listing Date to advise on ongoing compliance with GEM Listing Rules issues and other applicable securities laws and regulations relating to a listed issuer in Hong Kong;

(ii) our legal advisers as to Hong Kong laws have provided training to the Directors and the senior management of our Group on the continuing obligation of a listed company in Hong Kong and on Directors' responsibilities and liabilities and will provide appropriate and adequate training or regular seminars and updates on these topics to the Directors and senior management from time to time after the Listing;

(iii) we have designated our compliance officer, Mr. Sun, and our company secretary, Ms. Lau Wai Han, to assist our Board to identify, assess and manage the risks associated with compliance of laws and regulations applicable to our Group. They will report to the Board on a timely basis in relation to any potential non-compliance incidents identified by them and, if necessary, consult external professionals for advice;

(iv) our Group will retain PRC legal counsel to advise our Group from time to time in relation to PRC legal and regulatory compliance matters concerning our Group as a whole;

(v) our senior management and employees will be provided with our updated policies, as well as adequate training (with assistance with external advisers and consultants where necessary) and/or updates regarding the legal and regulatory requirements applicable to the business operations of our Group from time to time;

(vi) we have established an audit committee comprising three independent non-executive Directors, namely Mr. Lee Kwok Tung Louis (the chairman of the audit committee), Mr. Wei Junfung and Ms. Li Ling as part of our measures to improve corporate governance. For the qualifications and experience of these committee members, please refer to the section headed "Directors, senior management and employees" in this prospectus. The primary duties of the audit committee are to provide our Directors with an independent review of the effectiveness of our financial reporting process, internal control and risk management system of our Group, to oversee the audit process, to provide advice and recommendations to the Board on the appointment, reappointment and removal of external auditors and other duties and responsibilities as assigned by our Directors. We have prepared written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and the Corporate Governance Code and Corporate Governance Report as set forth in Appendix 15 of the GEM Listing Rules;

(vii) our Group's audit committee will on a regular basis review the payment of the social security and housing contributions, and make recommendations regarding the internal control measures to the Directors where appropriate; and

(viii) our management will design and implement a risk management policy to address various potential risks identified in relation to its operations. Our risk management policy sets forth procedures to identify, analyse, categorise, mitigate and monitor various risks. Our Board is responsible overseeing risk management and assessing and updating its risk management policy.

We believe that our internal control systems and current procedures are sufficient in terms of comprehensiveness, practicability and effectiveness.

INTERNAL CONTROLS

Our Board is responsible for establishing our internal control system and reviewing its effectiveness on a periodic basis. We have established procedures for developing and maintaining our internal control system, covering areas such as corporate governance, operations, management and finance. Our Directors believe that our internal control system is sufficient in terms of comprehensiveness, practicability and effectiveness.

In preparation for the Listing, we have engaged an independent business consulting and internal audit firm, Ernst & Young (China) Advisory Limited (the "**Internal Control Consultant**") in January 2015 to conduct an evaluation of our internal control systems and to review, amongst others, our management of business operations, finance, human resource and IT risks and review and follow up the effectiveness of our enhanced internal control measures, including over our previous non-compliance in relation to social security and housing provident fund contributions. The work performed by the Internal Control Consultant has been completed.

Based on the Internal Control Consultant's review and recommendations, our Group has adopted measures and policies to improve its internal control systems, to prevent future non-compliance, and to ensure its compliance with the GEM Listing Rules and relevant PRC and Hong Kong laws. After the Internal Control Consultants performed their follow-up review, they have not identified any material deficiencies in our internal control system.

Views of our Directors and the Sole Sponsor

Based on the above, our Directors are of the view that our Group has taken reasonable steps to establish an internal control system and procedures to enhance its control on both working and management levels and that the above remedial measures and on-going compliance measures are adequate and effective in preventing similar non-compliance incidents from re-occurring in the future. Having also considered the view of the Internal Control Consultant, our Directors are satisfied and the Sole Sponsor concurs that the non-compliance incidents described above did not involve any dishonesty or any fraudulent act on part of our executive Directors and did not raise any questions as to the integrity of our Directors, and as such the non-compliance incidents do not have any material impact on the suitability of our executive Directors to act in such roles in accordance with the requirements of Rules 5.01 and 5.02 of the GEM Listing Rules or the suitability of our Company under Rule 11.06 of the GEM Listing Rules, and that executive Directors are competent to manage our Group's business in a law abiding manner.

RISK MANAGEMENT

We recognise the need for risk management in our strategic and operational planning, day-to-day management and decision making process and are committed to managing and minimising risks by identifying, analysing, evaluating and mitigating risk exposure that may impact the continued efficiency and effectiveness of our operations or prevent it from achieving its business objectives.

We have established a set of risk management policies and measures to identify, evaluate and manage risks arising from our operations. The risks which are identified by our Company are broadly categorised into business risks, compliance risks, operation risks and other risks. All such risks may arise from time to time in connection with the operations of our Group.

The major features of our risk management policies include the following:

(i) we have adopted quality control and supervision measures and procedures to ensure quality products and services are provided to our customers. For further details, please refer to section headed "Business — Quality control";

(ii) we have established internal workplace safety guidelines and regular training for our employees to address potential occupational health and safety risks associated with our working environment. Please refer to the paragraph headed "Health and occupational safety" under the section headed "Business — Environmental protection, health and occupational safety" for details;

(iii) our human resources department is responsible for monitoring employee compliance with our internal rules and manuals to ensure that we comply with the relevant regulatory requirements and applicable laws, so as to reduce our risks; and

(iv) our compliance officer is responsible for facilitating and coordinating our risk management process.

Further, the risk management process of our Group will involve making assessment of the consequence and likelihood of risks and the development and/or review of risk management plans for mitigating such risk and ensuring that our staff and other stakeholders will have access to appropriate training in the area of risk management.

For more details on risks associated with our Company, please refer to the section headed "Risk factors" in this prospectus.

Our Directors have confirmed that during the Track Record Period, save as disclosed in this prospectus, no material operational failure occurred and we believe that our risk management system is sufficient and effective.

BOARD OF DIRECTORS

Our Board consists of eight Directors, comprising of four executive Directors, one non-executive Director and three independent non-executive Directors. The functions and duties of our Board include, but are not limited to, convening Shareholders' meetings, reporting the Board's work at the Shareholders' meetings, implementing the resolutions passed at the Shareholders' meetings, setting strategic directions for our Group, determining our business plans and investment plans, formulating our annual budget and final accounts, as well as exercising other powers, functions and duties as conferred by the Bye-laws of our Company. The following table sets forth certain information in respect of our Directors.

Name	Age	Date of appointment as Director	Date of joining our Group	Principal responsibilities	Relationships with other Directors, supervisors and senior management
Executive Directors					
Mr. Sun Jinli (孫金禮)	53	28 November 2014	17 March 2010	Formulating the overall sales and marketing strategies and overseeing the development and operations of our Group	Nil
Mr. Zhao Feng (趙峰)	51	10 March 2016	11 May 2015	Responsible for the sales and marketing and managing the growth and development of our Group	Nil
Mr. Zhang Chao (張超)	44	10 March 2016	11 May 2015	Responsible for the business development and managing the growth and development of our Group	Nil
Mr. TANG Liwen (湯立文)	50	12 September 2016	26 June 2014	Responsible for the overall operations and management of our Group	Nil
Non-executive Director and Chairman					
Mr. Liu Hongwei (劉紅維)	53	Appointed as our Director on 28 November 2014, and has been re-designated as our non-executive Director on 23 June 2017	16 March 2010	Formulation and execution of our Group's overall business strategies and policies; chairman of the nomination committee of our Company	Nil
Independent non-executive Directors					
Mr. Lee Kwok Tung Louis (李國棟)	49	23 June 2017	23 June 2017	The chairman of the audit committee and a member of the remuneration committee of our Company; responsible for providing independent judgment to our Board	Nil
Mr. Wei Junfeng (魏軍鋒)	41	23 June 2017	23 June 2017	The chairman of the remuneration committee and a member of the audit and the nomination committees of our Company; responsible for providing independent judgment to our Board	Nil
Ms. Li Ling (李玲)	56	23 June 2017	23 June 2017	A member of the audit, remuneration and nomination committees of our Company; responsible for providing independent judgment to our Board	Nil

Our Group's core management team comprised three Directors and three senior management throughout the Track Record Period. Three Directors, namely Mr. Liu, Mr. Sun and Mr. Tang Liwen have served as directors or senior management of the principal operating subsidiary of our Company throughout the Track Record Period.

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Mr. LIU Hongwei (劉紅維) aged 53, is the founder and the Chairman of our Group. He was appointed as the Director of our Company on 28 November 2014 and he will be re-designated as our non-executive Director of our Company with effect from 23 June 2017. He is primarily responsible for the formulation and execution of our Group's overall business strategies and policies. Mr. Liu graduated from 武漢工業大學 (Wuhan Industrial University*) with a bachelor's degree, majoring in inorganic materials engineering, in July 1986. He joined Zhuhai Singyes Safety Glass Co., Ltd. in October 1991, served as a general manager of 珠海興業幕牆工程有限公司 (Zhuhai Singyes Curtain Wall Engineering Co., Ltd.*) from August 1995 to October 2007. He was a director of Singyes HK from November 2014 to June 2016, and has been a director of Singyes Solar since November 2003.

Mr. Liu is currently the chairman of 廣東省光伏能源系統標準化技術委員會 (Guangdong Photovoltaic Energy System Standardization Technology Committee*), member of the Standing Committee of the Ninth Session of Zhuhai Municipal People's Congress, and a honorary fellow at the United International College of Beijing Normal University-Hong Kong Baptist University.

Mr. Liu is a senior construction material engineer with approximately 21 years experience in the curtain wall engineering sector and approximately 12 years experience in the photovoltaic power generation application sector. Mr. Liu has registered patents under his name in the PRC regarding amorphous silicon photovoltaic building integration and solar power generation system.

Mr. Liu holds directorships in the following members of the Remaining Group: Singyes Solar; Top Access; Singyes Green Investment (HK) Company Limited; Singyes Engineering (HK) Company Limited; Sun Treasure Group Corp.; Singyes Green Energy Holdings Limited; Basic Force Group Limited; Singyes Green Energy Investment Limited; Singyes Green Electricity Investments Limited; Singyes Green Electricity (II) Investments Limited; Singyes Green Electricity (III) Investments Limited; Zhuhai Singyes Green Building Technology Co., Ltd.; Singyes Renewable Energy; Zhuhai XinYe Electricity Technology Co., Ltd. and Hunan Singyes Solar Technology Co., Ltd..

He is also a director and legal representative of each of Singyes Energy-saving and Tianjin Singyes Renewable Energy Co., Ltd., which are also members of the Remaining Group.

EXECUTIVE DIRECTORS

Mr. SUN Jinli (孫金禮) aged 53, is an executive Director, the chief executive officer and compliance officer of our Company. He is primarily responsible for formulating the overall sales and marketing strategies and overseeing the development and operations of our Group. He is also the chairman of the board, the legal representation and a director of Singyes Applicable Materials since March 2010 and a director of Singyes HK since November 2014.

Mr. Sun graduated from 武漢工業大學 (Wuhan Industrial University*) with a bachelor's degree in July 1986, majoring in inorganic materials engineering. He served as a manager of the production department of 珠海興業安全玻璃股份有限公司 (Zhuhai Singyes Safety Glass Co., Ltd.*) from September 1989 to August 1995, and subsequently a project manager and deputy general manager of 珠海興業幕牆工程有限公司 (Zhuhai Singyes Curtain Wall Engineering Co., Ltd.*) from August 1995 to October 2007. He has been a director of Singyes Solar since March 2005 and served as a general manager of Singyes Renewable Energy from October 2007 to March 2011.

Mr. Sun is a level one architect certified by the Construction Department of the PRC, with approximately 21 years experience in the curtain wall engineering sector and approximately 12 years experience in the photovoltaic power generation sector. He entered the new light-adjusting material sector in 2009 and has accumulated extensive knowledge of vacuum technology, optical film technology, thin film deposition technology and roll-to-roll process and technology. He has been researching the application of magnetron sputtering technology in glass base materials, organic base materials and metal base materials for years and made a series of achievements in the process and technological development relating to ITO film, Smart Light-adjusting Film, Smart Light-adjusting Glass and Smart Light-adjusting Projection System.

Mr. Sun holds directorships in the following members of the Remaining Group: Singyes Solar; Top Access; Singyes Green Investment (HK) Company Limited; Singyes Engineering (HK) Company Limited; Sun Treasure Group Corp.; Singyes Green Energy Holdings Limited; Basic Force Group Limited; Singyes Green Electricity Investments Limited; Singyes Green Electricity (II) Investments Limited; Singyes Green Electricity (III) Investments Limited; Singyes Energy-saving; Zhuhai XinYe Electricity Technology Co., Ltd. and Hunan Singyes Solar Technology Co., Ltd..

Mr. Sun was the legal representative of 威海興業應用材料科技有限公司 (Weihai Singyes Applicable Materials Technology Co Ltd*) from July 2014 to September 2015, which was incorporated in the PRC in July 2014 for a new business venture but was shortly thereafter deregistered in September 2015 due to our Group's business strategy adjustment which material business had been carried out by this company since its establishment until it was deregistered incorporation.

Mr. ZHAO Feng (趙峰), aged 51, is an executive Director of our Company. He is primarily responsible for sales and marketing and the growth and development of our Group. He is also a director of Singyes Applicable Materials since May 2015 and Singyes HK since June 2016.

Mr. Zhao graduated from 武漢工業大學 (Wuhan Industrial University*) with a bachelor's degree in July 1987, majoring in inorganic materials engineering. Subsequently he worked at Hubei Province Shashi Construction Materials Scientific Research Institute as an engineer. He has successively held positions including manager of the sales department and deputy general manager of Zhuhai Singyes Green Building Technology Co., Ltd. since December 2002 and served as general manager of Singyes Renewable Energy from March 2011 to March 2012.

Mr. Zhao is a senior construction material engineer with approximately 14 years experience in the curtain wall engineering sector, and was appointed as a faculty adviser for electrical engineering master degree candidates of 湘潭大學 (Xiangtan University*) in the PRC in October 2012.

Mr. Zhao holds directorships in Zhuhai Singyes Green Building Technology Co., Ltd. since October 2004 and Hunan Singyes Green Energy Co., Ltd. since December 2015, which are members of the Remaining Group.

Mr. Zhao was the legal representative of 珠海興業綠色建築科技有限公司深圳分公司 (Zhuhai Singyes Green Building Technology Co Ltd Shenzhen Branch*) from March 2009 to January 2015, which was established in the PRC in March 2009 for the purpose of business development of Singyes Solar but which was subsequently deregistered in January 2015 due to business strategy adjustment.

Mr. ZHANG Chao (張超), aged 44, is an executive Director of our Company. He is primarily responsible for business development and the growth and development of our Group. He has also been a director of Singyes Applicable New Materials since May 2015 and Singyes HK since June 2016.

Mr. Zhang graduated from 齊齊哈爾鐵路運輸職工大學 (Qiqihar Railway Transportation Employee University*) *(Note)* with a bachelor's degree in July 1995. From August 1995 to November 2002, he worked at Heilongjiang Province Heihe City Railway (Group) Company as technician, manager of the engineering department and deputy director. He has held positions including manager of the bidding department, manager of the sales department, deputy general manager and general manager of Zhuhai Singyes Green Building Technology Co., Ltd. since December 2002.

Mr. Zhang has approximately 14 years experience in the curtain wall engineering sector. He was certified as a cost engineer in October 2001, obtained the level one architect in January 2006 and obtained the level one architect certificate in December 2007. He has also obtained a patent under his name in relation to smart photovoltaic controller hubs.

He holds directorships in Zhuhai Singyes Green Building Technology Co. Ltd. since April 2016 and Hunan Singyes Green Energy Co., Ltd. since December 2015, which are members of the Remaining Group.

Mr. Zhang was the legal representative of Zhuhai Singyes Green Building Technology Co., Ltd. Shandong Branch (珠海興業綠色建築科技有限公司山東分公司*) from March 2009 to December 2011, which was established in the PRC in March 2009 for the purpose of business development but which was subsequently deregistered in December 2011 due to the business strategy adjustment.

Note: Qiqihar Railway Transportation Employee University is not accredited by the Ministry of Education of the PRC.

Mr. TANG Liwen (湯立文), aged 50, was appointed as an executive Director on 12 September 2016. He is also the general manager of Singyes Applicable Materials and is primarily responsible for the overall operation and management of our Company since June 2014.

Mr. Tang graduated with a bachelor degree in mechanical specialty from the 上海海運學院 (Shanghai Maritime University*) in July 1989. He obtained a postgraduate degree in business administration from Tsinghua University in October 2001 and is currently reading a doctorate degree in material science at 湘潭大學 (Xiangtan University*).

Mr. Tang was an assistant engineer of the department of translation of 交通部廣州港口機械廠 (Guangzhou Port Machinery Plant*) between July 1989 and February 1991, part of a camera assembling team at 佳能珠海有限公司 (Jianeng Zhuhai Limited*) between March 1991 and January 2002, and the deputy general manager of 珠海經濟特區石頭電子有限公司 (Zhuhai Special Economic Zone Stone Electronic Limited*) between February 2002 and December 2004. He was a general manager and legal representative of 珠海市鳴天數碼科技有限公司 (Zhuhai Mingtian Digital Technology Co. Limited*) between January 2005 and February 2010, which was deregistered in August 2012 after a joint venture partner of the business voluntarily divested and terminated the joint venture. He was a deputy general manager of 湖南興業太陽能科技有限公司 (Hunan Singyes Solar Technologies Limited*) between March 2010 and June 2014.

Mr. Tang is an intermediate engineer who has approximately 25 years experience in the development of electrical appliances and approximately 14 years experience in technology management. He has led more than 30 development projects in new products and new materials, led research which had led to ten technologies being patented under his name including solar photovoltaic tiles and was awarded 湘潭市科技成果三等獎 (a third prize in technological achievement by the Xiangtan Municipal*) in 2013. He also took part in compiling the local standard for 廣東省"電致調光玻璃"地方標準 ("Electroluminescent Smart Light-adjusting Glass" in Guangdong Province*) in 2015.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Independent non-executive Directors

Mr. LEE Kwok Tung Louis (李國棟), aged 49, joined our Company and was appointed as an independent non-executive Director of our Company on 23 June 2017. His appointment as the chairman of the audit committee and a member of the remuneration committee of our Company will take effect on the Listing Date.

Mr. Lee has gained over 24 years experience with unlisted groups, listed groups and professional firms in finance, accounting and auditing since 1993. Prior to joining our Group, he worked at Deloitte Touche Tohmatsu, an international accounting firm, from December 1993 to June 1999 and his last position held was senior accountant. From October 1999 to May 2003, Mr. Lee worked at Bright & Shine Corporate Finance Limited and his last position held was director. From May 2003 to June 2008, Mr. Lee worked at Deloitte Touche Tohmatsu and his last position held was senior manager. From July 2008 to June 2010, Mr. Lee then served as the vice president of Meadville Holdings Limited, a company formerly listed on the Main Board of the Stock Exchange and was privatised and voluntarily delisted in 2010. Mr. Lee has been serving as the financial controller of Lung Ming Mining Co. Limited since September 2010.

Mr. Lee graduated from Macquarie University, Australia with a bachelor's degree in Economics in April 1993. Mr. Lee is a Certified Practicing Accountant of the Certified Practising Accountants Australia since June 1996 and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants since October 1999.

Mr. Lee is currently an independent non-executive director of CGN Mining Company Limited (stock code: 01164), Zhong Ao Home Group Limited (stock code: 01538), Worldgate Global Logistics Limited (stock code: 08292) and Windmill Group Limited (stock code: 08409), all of which are companies listed on the Stock Exchange. Mr. Lee was an independent non-executive director of Winto Group (Holdings) Limited (stock code: 08238), a company listed on the Stock Exchange, for the period from January 2015 to May 2016.

Mr. WEI Junfeng (魏軍鋒), aged 41, joined our Company and was appointed as an independent non-executive Director of our Company on 23 June 2017. His appointment as the chairman of the remuneration committee and a member of the audit committee and nomination committee of our Company will take effect on the Listing Date.

Mr. Wei graduated from Zhejiang University of Finance and Economics in July 1999 with a bachelor's degree in taxation. He graduated from the Peking University with a master's degree in Economics in July 2002. He later worked in various banking and corporate finance companies, and was a director at 上海阿謝投資管理有限公司 (Ashe Capital Management Ltd*) from October 2007 to August 2010. From 2010 to date, Mr. Wei has been an executive general manager at 上海复星創富投資管理有限公司 (Fosun Capital Investment & Management Co., Ltd*). Meanwhile, he is a director at 四川中光防雷科技股份有限公司 (Sichuan Zhongguang Lightning Protection Technologies Co., Ltd*), company supervisor at 博天環境集團股份有限公司 (Poten Environment Group Co., Ltd*) and company supervisor at 成信綠集成股份有限公司(Chengxin Green Integration Co., Ltd.*). Mr. Wei possesses 14 years of experience in merger and acquisitions, listing regulations, capital operation and capital management.

Ms. LI Ling (李玲), aged 56, joined our Company and was appointed as an independent non-executive Director of our Company on 23 June 2017. Her appointment as a member of the remuneration committee, audit committee, and nomination committee of our Company will take effect on the Listing Date.

Ms. Li graduated from 齊齊哈爾輕工學院 (Qiqihar Institute of Light Industry*) with a bachelor degree in synthetic fibre in July 1983. She then graduated from 大連理工大學 (Dalian University of Technology*) with a master degree in engineering in July 1990. She later graduated from 華南理工大學 (South China University of Technology*) with a doctoral degree in high molecular material in July 1998. From 1983 to 1987, she worked as a technician in a chemical research institute in Jixi City in Heilongjiang. From 1990 to 1992, she worked as a lecturer at 齊齊哈爾輕工業學院 (Qiqihar Institute of Light Industry*). From 1992 to 1995, she worked as an engineer in the Zhongshan branch of 中國科學技術發展戰略研究院 (China Academy of Science & Technology Development*). From 1998 to 2002, she was an associate research fellow in biomedical engineering research institute at 暨南大學 (Jinan University*). From 2002 to date, she has been a professor and researcher in the college of science and engineering at Jinan University. She has 23 years of experience in the field of material research and has obtained six technology patents under her name.

Disclosure of relationships as required under Rule 17.50(2) of the GEM Listing Rules

Save as disclosed in this prospectus, each of our Directors has confirmed that, having made all reasonable enquiries (i) there is no other matter concerning their respective appointments that needs to be brought to the attention of the Shareholders and the Stock Exchange; (ii) he has no interests in the Shares within the meaning of Part XV of the SFO; (iii) he is independent from, and is not related to, any other Directors, supervisors members of the senior management, Substantial Shareholders or Controlling Shareholders; (iv) he does not hold any other position in our Company or any of its subsidiaries; (v) he does not have any interest in any business which competes or may compete, directly or indirectly, with us; and (vi) there is no other matter which is required to be disclosed pursuant to Rule 17.50(2)(h) to (v) of the GEM Listing Rules.

Save as disclosed above, none of our Directors has held any directorship in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this prospectus.

SENIOR MANAGEMENT

The following table sets out certain information of members of senior management of our Group.

Name	Age	Position	Date of joining our Group	Principal responsibilities	Relationships with other Directors, Supervisors and senior management
Senior management					
Ms. LIN Jing (林靜)	42	Deputy executive general manager	29 March 2010	Responsible for product quality and human resources management	Nil
Ms. YANG Yang (楊洋)	50	Chief engineer	2 August 2010	Responsible for product development, optimization of production flow and setting of technological standards	Nil
Mr. WU Bing (吳冰)	33	Chief financial officer	1 December 2015	Responsible for the overall financial management of our Group	Nil

Our Group's core management team also comprised three senior management throughout the Track Record Period. Ms. Lin Jing, Ms. Yang Yang and Mr. Wu Bing have served as senior management of the principal operating subsidiary of our Company throughout the Track Record Period.

Ms. LIN Jing (林靜), aged 42, has been the deputy executive general manager of Singyes Applicable Materials since March 2010 and is in charge of product quality and human resources management of our Company.

Ms. Lin graduated with a secretarial specialty from the 閩江職業大學 (Minjiang Vocational University*) in July 1995 and later obtained a bachelor's degree in business administration from 深圳大學 (Shenzhen University) in June 2010. She was the secretary to the general manager, material control manager and information centre manager of Asia Simulation Control System Engineering (Zhuhai) Co., Ltd. between July 1995 and April 2001. She was the human resources manager and assistant to deputy manager of operations of AF Technology Limited between 2001 and 2008. Ms. Lin has 20 years of experience in business administration.

Ms. YANG Yang (楊洋), aged 50, is the chief engineer of Singyes Applicable Materials and is in charge of product development, optimization of production flow and setting of technological standards.

She graduated with a bachelor degree in engineering, majoring in materials science and engineering, from Southeast University in July 1989, completed an internal quality auditor examination from Shenzhen Conformity Certification Consult in March 1998, and later obtained a master's degree in engineering, majoring in computer technology, from Beijing Institute of Technology in October 2002. She was an engineer and director of technology at 珠海南科集成電子有限公司 (Zhuhai Nanke Jicheng Electronic Limited*) between February 2001 and August 2010. Ms. Yang has approximately 15 years of experience in technology management and has worked at Singyes Applicable Materials since August 2010 as manager for quality management, manager for technology, deputy chief engineer and assistant engineer.

Mr. WU Bing(吳冰), aged 33, has been the chief financial officer of our Company since December 2015, and has overall responsibility for the financial management of our Company.

Mr. Wu obtained his bachelor's degree in accounting from 鄭州大學 (Zhengzhou University*) in July 2005. From July 2005 to March 2007, Mr. Wu served as project assistant and project manager, involved in a number of listed companies' annual audit, asset evaluation and audit of the state-owned economic enterprises and other work in 珠海華天會計師事務所 (Zhuhai Hua Tian Certified Public Accountants*).

In April 2007, Mr. Wu joined Zhuhai Singyes Green Building Technology Co., Ltd., a member of the Remaining Group and has served as assistant manager of the accounting department, responsible for internal oversight and risk control operations. Mr. Wu was qualified as an assistant accountant and has ten years of experience in risk control and financial management.

Save as disclosed in this prospectus, none of our senior management members has (i) any directorship in any listed companies in the latest three years; (ii) any family relationship with the Directors; and (iii) any relationship with the Controlling Shareholders.

COMPANY SECRETARY

Ms. LAU Wai Han (劉慧嫻), aged 30, was appointed as our company secretary of our Company in 23 June 2017 and is responsible for overall company secretarial matters of our Group. She obtained a Bachelor Degree in Business Administration in Accounting and Finance from the University of Hong Kong in December 2009. She has over 6 years experience in the areas of accounting, finance and auditing, and has been a member of The Hong Kong Institute of Certified Public Accountants since March 2013.

Prior to joining our Group, Ms. Lau worked at Deloitte Touche Tohmatsu from October 2009 to April 2014, with her last position held as a senior associate. She joined our Group in April 2014 in the capacity of a finance manager of our Group. Her responsibilities included handling banking relationships with banks in Hong Kong; reviewing the management accounts for the subsidiaries of our Group in Hong Kong, Macau and South East Asian countries and assisting the Investor Relations Department of our Group to handle investor affairs works.

DIRECTORS' REMUNERATION

We reimburse our Directors for expenses which are necessarily and reasonably incurred for providing services to us or executing their functions in relation to our operations. Our executive Directors are also our employees and receive, in their capacity as our employees, compensation in the form of salaries and other allowances and benefits in kind. After Listing, our remuneration committee will review, make recommendation and determine the remuneration package (including discretionary bonus) of our Directors with reference to remuneration paid by comparable companies, time commitment and responsibilities of our Directors and the financial performance of our Group.

For the years ended 31 December 2014, 2015 and 2016, the aggregate amount of salaries and allowances, discretionary bonus and contributions to pension scheme paid to our Directors were nil, RMB228,000 and RMB77,000, respectively. Such remuneration of our Directors were determined with reference to remuneration of directors in comparable PRC companies and their experience.

Further details of the terms of the above service agreements are set out in the section headed "Further Information about our Directors, Substantial Shareholders and experts – Particulars of Directors' service contracts and letters of appointment" in Appendix IV to this prospectus.

NON-COMPETITION

Each of our executive Directors, non-executive Directors and independent non-executive Directors has confirmed that none of them is engaged in, or interested in any business which, directly or indirectly, competes or may compete with the business of our Group.

BOARD COMMITTEES

Audit committee

Our Company established an audit committee pursuant to a resolution of our Directors passed on 23 June 2017 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 audit committee was adopted in compliance with paragraph C3.3 and C3.7 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 of the GEM Listing Rules. The primary duties of our audit committee will be to review and supervise our 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.

At present, our audit committee consists of three members who are all independent non-executive Directors, namely, Mr. Lee Kwok Tung Louis, Mr. Wei Junfeng and Ms. Li Ling, and Mr. Lee Kwok Tung Louis was appointed as the chairman of our audit committee.

Remuneration committee

Our Company established a remuneration committee pursuant to a resolution of our Directors passed on 23 June 2017 with written terms of reference in compliance with Rules 5.34 and 5.35 of the GEM Listing Rules. The written terms of reference of the remuneration committee was adopted in compliance with paragraph B1.2 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 of the GEM Listing Rules.

The primary duties of our remuneration committee are, among other things, to make recommendations to our Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; review and approve the management's remuneration proposals and benefits; and to ensure none of our Directors determine their own remuneration. The remuneration of our Directors will be regularly monitored by our remuneration committee to ensure that the levels of remuneration and compensation is appropriate.

At present, our remuneration committee comprises three members, namely, Mr. Wei Junfeng, Mr. Lee Kwok Tung Louis and Ms. Li Ling, and Mr. Wei Junfeng was appointed as the chairman of our remuneration committee.

Nomination committee

Our Company established a nomination committee pursuant to a resolution of our Directors passed on 23 June 2017 with written terms of reference are in compliance with paragraph A5.2 of the Code of Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules. The primary function of the nomination committee is to make recommendations to our Board and senior management regarding appointment of Directors and candidates to fill vacancies on our Board and senior management team.

At present, our nomination committee comprises three members, namely, Mr. Liu, Mr. Wei Junfeng and Ms. Li Ling, and Mr. Liu was appointed as the chairman of our nomination committee.

COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, we have appointed Octal Capital Limited as our compliance adviser, pursuant to which Octal Capital Limited shall provide us with services including providing guidance and advice as to compliance with the requirements of the GEM Listing Rules and applicable laws, rules, codes and guidelines. Pursuant to Rule 6A.23 of the GEM Listing Rules, our Company will consult with and seek advice from the compliance adviser on a timely basis in the following circumstances:

1. before the publication of any regulatory announcement, circular or financial report;

2. where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

3. where we propose to use the proceeds of the Listing in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Group deviate from any forecast, estimate, or other information in this prospectus;

4. where the Stock Exchange makes an inquiry of the listed issuer under Rule 17.11 of the GEM Listing Rules regarding unusual movements in the price of trading volume of our Shares.

The term of appointment of Octal Capital Limited as our compliance adviser shall commence on the Listing Date and end on the date on which our Companies complies with Rule 18.03 of the GEM Listing Rules in respect of the financial results for the second full financial year commencing after the Listing Date, and such appointment shall be subject to extension by mutual agreement.

Under the terms of the compliance adviser agreement with Octal Capital Limited:

(i) we have agreed to indemnify Octal Capital Limited for certain actions against it and losses incurred by it arising out of or in connection with the performance by Octal Capital Limited of its duties under the agreement; and

(ii) we may terminate the appointment of Octal Capital Limited as our compliance adviser only if its work is of an unacceptable standard as determined under the Listing Rules and the relevant laws and regulations or if there is a material dispute (which cannot be resolved within 30 days) over fees payable to it as permitted by Rule 6A.26 of the GEM Listing Rules. Octal Capital Limited will have the right to resign or terminate its appointment by service of a three-month notice to us if we materially breach the agreement.

EMPLOYEES

Overview

As at 31 December 2016, we had a total headcount of 113 full-time employees. None of our employees are unionised. The relationship and co-operation between our management and employees have always been good and this is expected to continue. There has not been any incidence of work stoppages or labour disputes which affected our operations.

We did not experience any significant seasonal fluctuations in the number of employees over the Track Record Period. The number of our Group's full-time employees as at the end of each of the Track Record Period is as follows:

	Number of employees		
Department	As at 31 December 2014	As at 31 December 2015	As at 31 December 2016
Production	34	46	35
Quality control	13	13	10
Research and development	9	11	14
Machinery maintenance	8	4	4
Administration	15	4	2
Sales and marketing	22	24	38
Finance	1	2	5
Management	4	4	3
Purchase	3	3	2

Staff training

We believe that our employees are our most important asset. It is our policy to encourage the development and training of our employees in order to maximise their potential. We firmly believe that motivating our employees will help align their interests with ours which ultimately benefits our Group and enables both our employees and our Group to develop concurrently.

We provide training to all our employees to equip them with the relevant technical skills and knowledge necessary for their respective job functions. Accordingly, the nature of staff training that we provide varies with the appointment of our staff.

Generally, all our new employees would go through an orientation programme to familiarise them with our Group's background, culture, business operations and policies. The in-house orientation programme includes training specific to each of their designations, employees' discipline, safety and environmental awareness, our quality management system, regulations and laws relating to the operation of our Group.

Our staff training can be classified into internal training and external training. Internal training of our staff involves an orientation programme for our new employees, on-the-job training and internal training sessions. Part of our internal training is conducted on a regular basis for all our employees while the other part of our internal training is conducted by each of the departments on an ad-hoc basis for the employees in that department. This usually involves training specific to their job functions.

In respect of our external training, we invite local as well as foreign industry experts from time to time to provide training to our staff. Over the Track Record Period, our staff attended external courses including training management workshops, sales training as well as other senior management training.

Staff benefits

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. However, these contributions, which are funded from our internal financial resources, were not in full compliance with the requirements of the PRC laws and regulations. During the Track Record Period, our Company had not fully paid social security and housing contributions in compliance of relevant PRC legal requirements. For details of the non-compliance, please refer to the section "Business — non-compliance" in this prospectus.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Background of our Controlling Shareholders

Immediately upon completion of the Share Offer and Capitalisation Issue (assuming the Offer Size Adjustment Option is not exercised and without taking into account Shares that may be taken up pursuant to the preferential Offering), Singyes Solar and Top Access will directly or indirectly be interested in 324,324,325 Shares (representing approximately 67.6% of the entire issued share capital of our Company) and are hence Controlling Shareholders of our Company. Brief details of Singyes Solar and Top Access are as follows:

(i) Singyes Solar is a limited liability company incorporated in Bermuda and its shares have been listed on the Main Board of the Stock Exchange since 13 January 2009 with stock code: 00750. Singyes Solar operates primarily in the PRC and is mainly engaged in business relating to: (i) environmental protection applications, namely the application of various "green" technology and applications (such as energy-saving curtain walls and solar thermal collectors and converters) to buildings; and (ii) renewable energy project and integration applications, such as photovoltaic power stations and solar farms and water heating systems.

(ii) Top Access is a limited liability company incorporated in the BVI and is an investment holding company wholly-owned by Singyes Solar for the purpose of holding Shares of our Company.

Following the Listing, our Company will remain as a subsidiary of Singyes Solar and accordingly, Singyes Solar will continue to consolidate the financial results of our Group.

As at the Latest Practicable Date, Singyes Solar is owned as to 36.7% by Strong Eagle (which is in turn owned as to 53%, 15%, 13%, 10% and 9% by Mr. Liu, Mr. Sun, Mr. Xie Wen, Mr. Xiong Shi and Mr. Zhou Jianming respectively).

On the basis of the above, each of Mr. Liu, Strong Eagle, Top Access and Singyes Solar are our Controlling Shareholders.

Alignment of interests

While the interests of Singyes Solar may be different from our Shareholders (for further details, please refer to the section "Risk factors — Risks relating to the Share Offer — Our Controlling Shareholder has substantial interests and its interests may not be aligned with the interests of the other Shareholders"), our Directors believe that the economic alignment in interests between Singyes Solar and our Group (given the fact that it will be continue to be our indirect parent company following completion of the Share Offer) will mitigate the risk of that it will act in a way that may prejudice our Group and accordingly, the interests of our Shareholders.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

The Directors do not expect that there will be any significant transactions between our Group and our Controlling Shareholders upon or after the Listing. Having considered the following factors, the Board believes that our Group is capable of carrying on our business independently of our Controlling Shareholders and their respective associates after the Share Offer:

Clear delineation of business

There is a clear delineation between the core businesses of our Group and that of Singyes Solar and its subsidiaries (i.e. the Remaining Group). In particular:

(i) our Group carries out research and development of, and manufactures and sells, ITO film, Smart Light-adjusting Products and Smart Light-adjusting Projection System while the Remaining Group is a designer and contractor relating to environmental protection and renewable energy applications and projects;

(ii) our Group and the Remaining Group do not have similar addressable markets. Our Group is a supplier of: (a) ITO and related film for such use as touch screens by manufacturers of electronic products; (b) Smart Light-adjusting Products for interior installation and decoration purposes; and (c) Smart Light-adjusting Projection Systems for home cinemas as well as for advertising and marketing purposes; whereas the Remaining Group is a system design and integration provider involved in the integration of photovoltaic and "green" technology into the architectural design of buildings and structures and the conversion of solar energy into electricity for use by occupants of buildings for energy-saving purposes;

(iii) our Group and the Remaining Group have very different business strategies and potential growth trajectories given the distinctiveness of their respective technologies and corresponding target markets. At present, our Group is continuing to focus its research and development efforts on the implementation of our ITO film and Smart Light-adjusting Products technologies to new applications which our Directors believe will deliver strong future growth to our business and financial results. One such application is the Smart Light-adjusting Projection System which has favourable properties as compared with traditional displays for use in home cinemas as well as advertising and marketing. The Remaining Group, on the other hand, will continue to focus on further enhancements to their products and applications such as curtain wall framing, fire-proof curtain walls and applications to "green" buildings; and

(iv) during the Track Record Period, there was only one overlapping customer between our Group and the Remaining Group. This customer was mainly engaged in business relating to real estate development, property management and interior decoration and which purchased Smart Light-adjusting Films and matching batteries from Singyes Applicable Materials and steel frame production and installation services from Zhuhai Singyes Green Building Technology Co., Ltd. over the period. For the financial year ended 31 December 2014, the sales amount of our Group (excluding tax) to the overlapping customer was RMB17,162.39 in total; for the financial year ended 31 December 2015, no sales were made to the overlapping customer and for the financial year ended 31 December 2016, the sales amount (excluding tax) to the overlapping customer was RMB86,457.26. Since the transaction amounts were very small compared to our Group's overall sales revenue, there was no material overlapping of business between our Group and the Remaining Group. The two groups operate independently in their respective distinct markets.

Management independence

Although our Controlling Shareholders will retain a controlling interest in our Company upon completion of the Share Offer, the day-to-day management and operations of the business of our Group will be the responsibility of the Directors and senior management of our Company.

Upon the Listing, the directorship and management of our Company and Singyes Solar will be as follows:

Position	Directors of our Company	Director of Singyes Solar
Executive Directors	• Mr. Sun • Zhao Feng • Zhang Chao • Tang Liwen	• Mr. Liu *(chairman)* • Mr. Sun *(chief executive officer)* • Xie Wen
Non-executive Directors	• Mr. Liu *(chairman)*	• Li Hong • Cao Zhirong
Independent non-executive Directors	• Lee Kwok Tung Louis • Wei Junfeng • Li Ling	• Wang Ching • Yick Wing Fat, Simon • Zhong Jishou

Mr. Liu and Mr. Sun are currently the only common directors to the board of Singyes Solar and our Company.

Mr. Liu is a non-executive Director and is therefore not expected to be directly involved in the day-to-day management of the business operation of our Company. Rather, he will primarily be responsible for the formulation and execution of our Group's overall business strategies and policies.

On the other hand, our Group has been under the focused management and supervision of Mr. Sun over the Track Record Period. To avoid conflicts of duties and to ensure that Mr. Sun can devote sufficient time to the operations of our Group, Mr. Sun will resign as the vice chairman and an executive director at Singyes Solar prior to the Listing and will resign from all other directorships in the Remaining Group upon the Listing. Mr. Sun will be responsible for formulating our overall sales and marketing strategies and overseeing the operations and development of our Group.

Mr. Zhang Chao and Mr. Zhao Feng currently hold directorships in Zhuhai Singyes Green Building Technology Co. Ltd. and Hunan Singyes Green Energy Co., Ltd., which are members of the Remaining Group. Mr. Zhao Chao and Mr. Zhao Feng will continue to hold directorships in the aforementioned companies upon the Listing of our Company.

Mr. Zhang Chao and Mr. Zhao Feng will consider matters to be approved by the Board in accordance with the Bye-laws of the Company during their directorships. Zhuhai Singyes Green Building Technology Co. Ltd. is principally engaged in the design, manufacture and installation of building curtain wall and Hunan Singyes Green Energy Co., Ltd. is principally engaged in the investment in solar photovoltaic power plants. The above companies do not have competing or overlapping business with our Group.

The senior management team of our Company comprises three members, namely Ms. Lin Jing, Ms. Yang Yang and Mr. Wu Bing. None of them held any management roles in the Remaining Group and had independently carried out supervisory responsibilities of our Group without any interference or reliance from the Remaining Group over the Track Record Period. They will continue to be dedicated to the day-to-day management of the business of our Group following the Listing.

Further, our Directors consider that our Board and team of senior management will be able to function independently as:

(i) each of our Directors is aware of his or her fiduciary duties as a director which require, among other things, that he or she acts for the benefit and in the best interests of our Company and the Shareholders as a whole (and not merely in the interests of Singyes Solar) and does not allow any conflict between his or her duties as a Director and his or her personal or other interest;

(ii) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group, our Controlling Shareholders and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant meeting of our Board in respect of such transaction and shall not be counted in the quorum;

(iii) the independent non-executive Directors will bring independent judgement to the decision making process of our Board; and

(iv) the senior management are independent and possess in-depth experience and understanding of the industry in which our Group is engaged.

Based on the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and the Directors are of the view that our Company is capable of managing our business independently from our Controlling Shareholders after the Listing.

Administrative independence

The administrative functions of our Group have been and will be carried out by our Group without reliance on the support of the Remaining Group. Our Group has a separate senior management team and separate functional departments including accounting, administration, human resources and company secretarial departments for its day-to-day management.

Our Directors confirmed that all essential administration and daily operations of our Group will continue to be independently carried out by our Group without any support or intervention from Singyes Solar after the separate listing of our Company.

Operational independence

Having considered that:

(i) the core business of the Remaining Group and our Group, due to their respective natures, are different businesses which are independently operated in distinct markets;

(ii) our Group has established its own operational structure comprising individual departments each with specific areas of responsibilities (including procurement, production, quality control, sales and marketing, human resources, warehousing and logistics and finance) and these are entirely separate and independent from those of the Remaining Group;

(iii) each of our Group and the Remaining Group has its own production lines, sells different products to customers and has its suppliers and sub-contractors without reliance on each other;

The Zhuhai Xingye New Energy and Industrial Park consists of four factories, which are factories nos. 4, 5, 6 and 7. The premises of Singyes Renewable Energy are located at factory no. 6 and the premises of Singyes Energy-saving are located at factories nos. 4-6. Our Company's premises are located at Levels 1 and 2 of Factory Building No. 7 of the Zhuhai Xingye New Energy and Industrial Park, 9 Jinzhu Road, Gaoxin district, Zhuhai city, Guangdong province of the PRC, which is not shared with any other member of our Group.

(iv) other than the lease of premises and a support service agreement in relation to meal services which were entered into between our Group and the Remaining Group, we do not rely on the Remaining Group for any other services. Our Directors believe that the relevant agreements were entered into on normal commercial terms, an arm's length basis, in the ordinary course of business of our Group and do not materially impair our operational independence from the Remaining Group. The relevant transactions constitute continuing connected transactions which are fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements of Chapter 20 of the GEM Listing Rules. Upon the Listing, unless otherwise exempted by the Stock Exchange, any new connected transactions between our Group and the Remaining Group, if any, will be carried out in compliance with the provisions of Chapter 20 of the GEM Listing Rules. Please refer to the section headed "Connected transactions" in this prospectus for further information;

(v) we have established a set of internal control procedures to facilitate the effective operations of our business; and

(vi) all the registered trademarks, designs and other intellectual property necessary or desirable for our business are registered in the name of our Group,

our Directors consider that our Group's business operations do not rely on our Controlling Shareholders and our Group can operate independently from an operational perspective upon Listing.

Financial independence

Financial assistance over the Track Record Period

Over the period from 18 August 2014 to 17 August 2015, Mr. Liu (chairman, executive director and controlling shareholder of Singyes Solar), Mr. Sun (an executive director of Singyes Solar) and Zhuhai Singyes Green Building Technology Co., Ltd. have jointly acted as guarantors in respect of a RMB5.0 million banking facility granted to our Group. All outstanding amounts under this RMB5.0 million banking facility have been fully repaid by our Group, and accordingly, all relevant guarantees have been irrevocably and unconditionally released.

Prior to the Spin-off, the financial activities of our Group were managed as part of the Remaining Group. As such, the Remaining Group paid, for and on behalf of our Group, the costs and expenses for the purchase of certain raw materials and equipment. For the years ended 31 December 2014, 2015 and 2016, the advances from the Remaining Group amounted to approximately RMB18.2 million, RMB33.2 million and RMB6.2 million respectively and all such amounts will be repaid by our Group prior to the Listing. The ability of our Group to settle all such amounts readily with our own resources demonstrates the financial independence of our Group from the Remaining Group.

As at 31 December 2016, an amount of approximately RMB1.0 million was owed to Singyes Solar mainly due to expenses relating to the Spin-off. This amount will be fully repaid prior to Listing.

Other than the above, our Group has not received any other financial assistance from the Remaining Group over the Track Record Period.

Guarantees released prior to Listing

On 13 August 2015, Singyes Solar, as the borrower, entered into a US$100 million transferable Hong Kong dollar and US dollar term loan facility agreement ("**Facility Agreement**") with Hang Seng Bank Limited and The Hongkong and Shanghai Banking Corporation Limited as mandated lead arrangers, bookrunners and original lenders and with The Hongkong and Shanghai Banking Corporation Limited as agent ("**Agent**"). The principal amount of the loan facility may be increased in accordance with the terms of the Facility Agreement, and was increased to US$110 million pursuant to the terms of the agreement. As at the Latest Practicable Date, an amount of US$110 million has been drawn down under the facility.

Each of our Company and Singyes HK, among other subsidiaries of Singyes Solar, was a guarantor who had agreed to, among other things, guarantee the repayment and other obligations of Singyes Solar under the Facility Agreement. As at 31 December 2015, the Company and Singyes HK provided guarantees to banks in connection with loans granted to Singyes Solar aggregating to USD$110,000,000. Such guarantees were released subsequently in 2016. On 2 November 2016, the Agent informed Singyes Solar that the Agent has obtained the unconditional consent from all the lenders to remove our Company and Singyes HK from the list of guarantors under the Facility Agreement. As such, the guarantee obligations of our Company and Singyes HK in respect of the Facility Agreement has been effectively released and discharged. As at 31 December 2016, neither the Group nor the Company had any significant contingent liabilities.

Financial independence from Singyes Solar

Upon Listing, our Group will be financially independent of the Remaining Group. Our Group has its own accounting and financial department and has established its own financial accounting system independent of our Controlling Shareholders. Our Group has its own bank account, makes its own tax registrations and has employed a sufficient number of financial accounting staff. Accordingly, our Directors consider that our Group is capable of operating independently from its Controlling Shareholders from a financial perspective upon Listing.

Furthermore, it is expected that the financing needs for the expansion of our Group following Listing will be satisfied by income generated from its ordinary course of business, the proceeds from the Listing, and where necessary, from debt and capital raising activities on a stand-alone basis. Our Directors believe that our Group is capable of obtaining financing from external sources without reliance on our Controlling Shareholders.

On the basis of the arrangements and reasons described above, our Directors are of the view, and the Sole Sponsor concurs, that each of the Remaining Group and our Group will be managed and will operate independently of each other in the interests of their respective shareholders as a whole.

NON-COMPETITION UNDERTAKINGS

Notwithstanding the above, for the purpose of Listing, Singyes Solar (the "**Covenantor**") has given certain non-competition undertakings in favour of our Company (for itself and each of our subsidiaries) under the Deed of Non-competition, pursuant to which the Covenantor warrants and undertakes with our Company, on an irrevocably and unconditional basis, on the following terms which shall take effect immediately upon the Share Offer becoming unconditional (as specified under the section headed "Structure and conditions of the Share Offer — Conditions of the Share Offer" of this prospectus) and end on the occurrence of the earlier of: (a) the date when the Covenantor, with their close associates, cease to be directly or indirectly interested in 30% or more of the then issued share capital of the Company, or cease to be deemed as our controlling shareholder (as defined in the GEM Listing Rules) and do not have power to control the Board; and (b) the time when the Shares cease to be listed on the Stock Exchange:

(i) *undertaking not to engage in competing business:* the Covenantor 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) ("**Restricted Business**");

(ii) *undertaking not to solicit staff etc.:*

(a) the Covenantor will not, and will procure its close associates (excluding the Group) not to, invest or participate in any project or business opportunity that competes or may compete, directly or indirectly, with the business activities engaged by the Group from time to time unless pursuant to the provisions stipulated in the Deed of Non-competition; and

(b) the Covenantor will not, and will procure its close associates (excluding the Group) not to, offer employment to, enter into a contract for the services of, or attempt to solicit or seek to entice away from our Group any individual who is a director, officer, manager or employee of our Group, or procure or facilitate the making of any such offer or attempt by any other person; and

(c) the Covenantor will not, and will procure its close associates (excluding the Group) not to, without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to its knowledge in its capacity as the controlling shareholder for any purposes other than for the exercise of shareholders' rights; and

(iii) undertakings in respect of new business opportunity: if the Covenantor and/or any of its close associates (other than our Group) is offered or becomes aware of any project or new business opportunity ("**New Business Opportunity**") that relates to the Restricted Business, whether directly or indirectly, it shall:

(a) promptly in any event not later than seven days from the date of offer or becoming aware of the New Business Opportunity notify our Company in writing ("**Offer Notice**") of such opportunity and provide such information as is reasonably required by our Company in order to enable our Company to come to an informed assessment of such opportunity; and

(b) use its best endeavours to procure that such opportunity is offered to our Company on terms no less favourable than the terms on which such opportunity is offered to it and/or its close associates (other than our Group).

The Covenantor shall only be entitled to pursue the New Business Opportunity if our Group gives a written notice declining the New Business Opportunity and confirming that the New Business Opportunity would not constitute competition with the business of our Group, or if our Group has not sent such written notice to the Covenantor within 30 days (or up to 60 days if our Group requires further time to assess the New Business Opportunity) from our Group's receipt of the Offer Notice.

(iv) *general undertakings:* the Covenantor shall:

(a) when required provide our Company and our Directors with all such information as the independent non-executive Directors may request for its annual review of the compliance and/or enforcement of the terms of Deed of Non-competition; and

(b) provide after the end of each financial year of our Company with a declaration made by each of them which shall state whether or not it has during that financial year complied with all the terms of the Deed of Non-competition, and if not, particulars of any non-compliance; and

(c) allow our Directors, their respective representatives and the auditors to have sufficient access to their records and records of their close associates to ensure their compliance with the terms and conditions under the Deed of Non-competition.

The Covenantor has undertaken to the Company that it and its close associates (other than our Group) will abstain from voting on the shareholder level of the Company and will not be counted in the quorum if there is any actual or potential conflict of interest in relation to the Restricted Business and/or, the New Business Opportunity.

To ensure that the terms of the Deed of Non-competition are observed, our independent non-executive Directors will, based on the information available to them, review on an annual basis (i) the compliance with and the enforcement of the Deed of Non-competition; and (ii) all the decision made by our Group in relation to whether to take up any New Business Opportunity.

NON-DISPOSAL UNDERTAKING

Each of our Controlling Shareholders has, severally, undertaken to and covenanted with our Company that:

(a) at any time during the period commencing on the date by reference to which disclosure of its/ his shareholding is made in this prospectus and ending on the date which is six months from the date on which dealings in the Shares first commence on the Stock Exchange ("**First Six-month Period**"), it/he will not dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares owned by it/him in respect of which it/ he is shown by this prospectus to be the beneficial owner or is otherwise interested in ("**Relevant Shares**"), other than pursuant to Rule 13.18 of the GEM Listing Rules;

(b) at any time during the period of 30 months commencing on the date on which the First Six-month Period expires ("**Subsequent Period**", together with the First Six-month Period, the "**Restricted Period**"), it/he will not dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, the Relevant Shares, to the extent it/he will cease to be a controlling shareholder (as defined in the GEM Listing Rules) of the Company, other than any pledge or charge made in favour of an authorised institutional (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong);

(c) it/he will take any such actions necessary to ensure that it/he will not cease to be a controlling shareholder (as defined in the GEM Listing Rules) of the Company, for whatever reasons, during the Restricted Period;

(d) if it/he pledges or charges any Relevant Shares in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) during the Restricted Period, it/he shall immediately inform the Company in writing of such pledge or charge together with the number of Relevant Shares so pledged or charged in accordance with Rule 13.19(1) of the GEM Listing Rules (as extended to apply to the entire Restricted Period); and

(e) at any time following any pledge or charge of Relevant Shares under sub-paragraph (d) above, if it/he receives indications, either verbal or written, from any pledgee or chargee of any Relevant Shares that any of the pledged or charged Relevant Shares will be disposed of, it/he will immediately inform the Company in writing of such indications.

The above non-disposal undertakings by our Controlling Shareholders are beyond the requirements relating to non-disposals of the Shares under Rule 13.16A of the GEM Listing Rules and cannot be waived by the Company except with the written consent from the majority of our independent non-executive Directors and so far as permitted under the GEM Listing Rules.

CORPORATE GOVERNANCE MEASURES

Notwithstanding the above, our Company will adopt the following corporate governance measures to avoid potential conflict of interests and to safeguard the interests of our Shareholders:

(a) compliance with the GEM Listing Rules, in particular strictly observe any proposed transactions between us and connected persons and comply with the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules where applicable;

(b) appointment of Octal Capital Limited as our Compliance Adviser to advise us on the compliance matters in respect of the GEM Listing Rules and applicable laws and regulations;

(c) appointment of three independent non-executive Directors in order to achieve a balanced composition of executive and non-executive Directors in our Board. Our independent non-executive Directors will review on the compliance by the Covenantor with the terms of the Deed of Non-competition and the enforcement thereby by our Company on an annual basis. We believe our independent non-executive Directors possess the qualification and integrity and are free of any business or other relationship which may materially interfere with their exercise of independent judgment and will be able to protect the interests of our public Shareholders in a fair and impartial manner. Further details of our independent non-executive Directors are set out in the section headed "Directors and senior management";

(d) our Controlling Shareholders have undertaken and agreed to provide all information as may be requested by our Group for the annual review by the independent non-executive Directors of the compliance with and the enforcement of the terms of the Deed of Non-competition;

(e) our Company will disclose decisions on matters reviewed by our independent non-executive Directors in relation to the compliance with and the enforcement of the Deed of Non-competition either through our Company's annual report or by way of announcement to the public;

(f) implementation and maintenance of effective risk management and internal controls procedures to identify and manage the risks faced by our Group;

(g) setting up of internal audit functions to provide independent and objective assurance and consulting activity designed to add value and improve our Company's operations and to bring a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes; and

(h) adoption and implementation of an inside information disclosure policy and a model code for securities transactions by our Directors for the handling and dissemination of inside information by our Group.

CONFIRMATION BY OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of our Directors, Substantial Shareholder and their respective close associates was, as at the Latest Practicable Date, interested in any businesses, which compete, or are likely to compete, directly or indirectly, with our businesses and which would otherwise require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

During the Track Record Period, we have entered into a number of related party transactions, details of which are set out in the accountants' report set out in Appendix I to this prospectus. Our Directors have confirmed that these related party transactions were conducted in the ordinary course of business and on normal commercial terms. Save as described in this section below, these related party transactions have discontinued before the Listing.

Our Directors confirm that the following transactions have been entered into by our Group with parties who are our connected persons and which will continue following the Listing, thereby constituting continuing connected transactions of our Group under Chapter 20 of the GEM Listing Rules:

EXEMPTED CONTINUING CONNECTED TRANSACTIONS

(1) Support services agreement

On 30 September 2015, Singyes Applicable Materials, an indirect wholly-owned subsidiary of our Company, has entered into an agreement (as supplemented by a supplemental agreement dated 5 May 2017, collectively, the "**Support Services Agreement**") with Singyes Energy-saving, an indirectly wholly-owned subsidiary of Singyes Solar established in the PRC, in respect of the provision of meal services from 1 October 2015 to 30 September 2018. In the absence of objections from both parties of the Support Service Agreement, the agreement shall be automatically renewed for a further three years upon the completion of the original service period.

Under the Support Service Agreement, Singyes Energy-saving agreed to provide meal services to the employees of Singyes Applicable Materials at the rate of RMB3.0 per breakfast per person and RMB11.0 per lunch or dinner per person, subject to price adjustments from time to time as may be agreed by both parties of the Support Services Agreement. Such rates are in line with quotations obtained from independent meal service providers who provide similar meal services in the nearby locations in the PRC or the relevant market prices in the ordinary and usual course of business, and shall be on normal commercial terms to meet the principles of fairness and reasonableness.

As Singyes Solar is our Controlling Shareholder and thus a connected person of our Company, the transactions under the Support Services Agreement constitute continuing connected transactions of our Company under the GEM Listing Rules following the Listing.

Historical figures and annual caps

The following table sets out (i) the historical transaction amounts paid by our Group to Singyes Energy-saving in respect of the provision of meal services over the Track Record Period; and (ii) the annual caps under the Support Service Agreement:

	Historical figures (in RMB)			Annual caps under the Support Services Agreement (in RMB)		
	Year ended 31 December			For the year ending 31 December		
	2014	**2015**	**2016**	**2017**	**2018**	**2019**
Transaction amounts/ expected transaction amounts	401,137 *(Note)*	573,397 *(Note)*	377,624	750,000	1,100,000	1,250,000

Note: Amounts up to the date of the Support Services Agreement are not audited as no legally binding agreement was entered for the provision of meal services prior to 1 October 2015.

The increase in annual caps for the three years ending 31 December 2017, 2018 and 2019 under the Supporting Services Agreement is based on the following considerations:

(i) our Group expects that the number of employees (including personnel in production, quality control, research and development, equipment maintenance, administration, sales and marketing, finance, management and procurement) will be increased gradually from 113 by the end of 2016 to 134 by the end of 2017, 172 by the end of 2018 and 188 by the end of 2019 (as part of the implementation of our Group's business plan), which will result in an increase in the amount of the meal services required to be provided to employees;

(ii) the fees which will be charged for providing meal services to employees is expected to be revised in the relevant years, taking into account of the expected increase in cost for ingredients procurement (including inflation of the price ingredients, transportation costs as well as other administrative and logistic costs). It is expected that the price of breakfast would be increased by RMB2.0 to RMB5.0 per set and the prices of lunch and dinner would be increased by RMB2.0 to RMB13.0 per set from the second half of 2017. It is further expected that the prices of lunch and dinner would be increased by RMB2.0 to RMB15.0 per set from the second half of 2018 to the whole year of 2019, while the price of breakfast would be remained unchanged at RMB5.0 per set; and

(iii) the monthly amount of working days of our Company's production personnel is 26 days, while the monthly amount of working days of other departments' personnel is 22 days. According to the Support Services Agreement, each employee can enjoy meal services up to three times per day. The above annual cap is calculated based on the assumption that all employees enjoy meal services during all working days. Since employees may choose to enjoy less than three meal services a day, the actual amount of such services provided may potentially be lower than the annual cap.

Our Directors have arrived at the above annual caps after taking into consideration of (i) the terms of existing Support Services Agreement, (ii) the projected increase of the transaction amounts as a result of the expected growth in the business of our Group and the expected growth in the number of employees, and (iii) the projected price increase of the ingredients procurement for food according to prevailing market prices and inflation of the local economy status.

Our Directors are of the view that the Support Services Agreement has been entered into on normal commercial terms that are comparable to those offered by Independent Third Parties, on arm's length basis, in the ordinary and usual course of business of our Group and that the terms of the Support Services Agreement are fair and reasonable and in the interests of our Shareholders as a whole.

GEM Listing Rules implications

As the applicable percentage ratios as defined in Chapter 20 of the GEM Listing Rules (other than the profits ratio) for the Support Services Agreement are less than 5% and the annual consideration is less than HK$3,000,000, the Support Services Agreement is fully exempt from all reporting, annual review, announcement and independent shareholders' approval (including independent financial advice) requirements under Chapter 20 of the GEM Listing Rules.

(2) Lease agreements

Singyes Applicable Materials, an indirect wholly-owned subsidiary of our Company, entered into a lease agreement with Singyes Energy-saving on 29 September 2015 (as supplemented by a supplemental lease agreement dated 1 March 2016 and a further lease agreement dated 24 April 2017, collectively, the "**Lease Agreements**"). Prior to the entering of the Lease Agreements (i.e. before the Spin-off), Singyes Energy-saving provided the premises to our Group free of charge.

Under the terms of the Lease Agreements, Singyes Energy-saving agreed to: (i) lease the premises located at 珠海市高新區金珠路9號珠海興業新能源產業園內7號廠房一、二層部份 (Levels 1 and 2, Factory Building No.7, Zhuhai Xingye New Energy and Industrial Park, 9 Jinzhu Road, Gaoxin district, Zhuhai city, Guangdong province of the PRC) with a gross floor area of approximately 5,740 square metres ("**Premises**") for the period from 1 October 2015 to 30 September 2018 at the rate of RMB15 per square metre per month, and for the period from 1 October 2018 to 30 September 2021 at the rate of RMB16 per square metre per month; and (ii) provide certain facilities and amenities at the Premises (including office furniture, elevators, air-conditionings, furniture, computers and softwares) at no extra costs while water and electricity charges will be charged based on consumption at the rates specified in the Lease Agreements.

The current plant of our Company is located next to a freeway entrance which offers efficient transportation and cargo movement; it is also a newly built factory which is cleaner and more suitable for workshops requiring clean operations such as ITO manufacturing; in addition, the facilities meet the needs of our Group's equipment installation. As The Zhuhai Xingye New Energy and Industrial Park area is relatively large, some of the plants are comparatively closer to the urban district, main road, university, business district and public transport station area while the current plant of our Company is in a comparatively remote area of The Zhuhai Xingye New Energy and Industrial Park.

In terms of rental comparison, given the above advantages and disadvantages, our Directors believe that the monthly rental of RMB15 and RMB16 per square metre for the years of 2015 to 2018 and 2018 to 2021 respectively under the Lease Agreements are within the range of market rental rates charged on properties in its vicinity, which range from approximately RMB14 to RMB19 per month.

As Singyes Solar is our Controlling Shareholder and a connected person of our Company under the GEM Listing Rules, the transactions under the Lease Agreements constitute continuing connected transaction of our Company under the GEM Listing Rules following the Listing.

Historical figures and annual caps

The following table sets out (i) the historical transaction amounts paid by our Group to Singyes Energy-saving in respect of the lease of the over the Track Record Period; and (ii) the annual caps under the Lease Agreements:

	Historical figures *(in RMB)* **Year ended 31 December**			**Annual caps under the Support Services Agreements** *(in RMB)* **For the year ending 31 December**		
	2014	**2015**	**2016**	**2017**	**2018**	**2019**
Transaction amounts/ expected transaction amounts	N/A	258,300 (since 1 October)	1,033,200	1,033,200	1,050,420	1,102,080

The actual amount of Lease Agreement for the year ended 31 December 2016 as of RMB1,033,200 is a figure with value-added tax inclusive.

The increase in annual caps for the two years ending 31 December 2018 and 2019 is based on the revised monthly rental rate of RMB16 per square metre with effect from 1 October 2018 according to lease agreement dated on 24 April 2017. The revised monthly rental rate is based on the foreseeable inflation of price level in the area in order to cover the daily maintenance and management cost of server room and office equipment.

Our Directors have arrived at the above annual caps after taking into consideration of the terms and conditions of the existing Lease Agreements.

Our Directors are of the view that the Lease Agreements have been entered into on normal commercial terms that are comparable to those offered by Independent Third Parties, on arm's length basis, in the ordinary and usual course of business of our Group and that the terms of the Lease Agreement are fair and reasonable and in the interests of our Shareholders as a whole.

GEM Listing Rules implications

As the applicable percentage ratios as defined in Chapter 20 of the GEM Listing Rules (other than the profits ratio) for the Lease Agreement are less than 5% and the annual consideration is less than HK$3,000,000, the Lease Agreement is fully exempt from all reporting, annual review, announcement and independent shareholders' approval (including independent financial advice) requirements under Chapter 20 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Share Offer and Capitalisation Issue (assuming that the Offer Size Adjustment Option is not exercised and without taking into account of any Shares that may be taken up pursuant to the Preferential Offering), the following persons will have an interest or short position in the Shares and the underlying Shares which are required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at the general meetings of members of our Group and are therefore regarded as substantial shareholders under the GEM Listing Rules:

Name of shareholder	Nature of interest	Number of Shares held/ interested immediately following the Capitalisation Issue and Share Offer	Approximate percentage of shareholdings immediately following completion of the Capitalisation Issue and Share Offer
Top Access	Beneficial owner	324,324,325 (long position)	67.6%
Singyes Solar	Interest in a controlled corporation *(Note 1)*	324,324,325 (long position)	67.6%
Strong Eagle	Interest in a controlled corporation *(Note 2)*	324,324,325 (long position)	67.6%
Mr. Liu	Interest in a controlled corporation *(Note 3)*	324,324,325 (long position)	67.6%

Notes:

1. The entire issued share capital of Top Access is legally and beneficially owned by Singyes Solar, who is deemed to be interested in the Shares held by Top Access under Part XV of the SFO.

2. Strong Eagle is a limited liability company incorporated in the BVI and is the legal and beneficial owner of 305,858,750 shares of Singyes Solar, representing approximately 36.7% of the issued share capital in Singyes Solar. Strong Eagle is deemed to be interested in the Shares to which Singyes Solar is interested in (through its shareholding in Top Access) pursuant to Part XV of the SFO.

3. Strong Eagle is legally and beneficially owned by Mr. Liu, Mr. Sun, Mr. Xie Wen, Mr. Xiong Shi and Mr. Zhou Jianming as to 53%, 15%, 13%, 10% and 9% respectively. Mr. Liu is deemed to be interested in the Shares to which Strong Eagle is interested in (through its shareholding in Singyes Solar) pursuant to Part XV of the SFO.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Capitalisation Issue and the Share Offer (assuming that the Offer Size Adjustment Option is not exercised and without taking into account of any Shares that may be taken up pursuant to the Preferential Offering), have interests or short positions in the Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provision of Division 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share carrying rights to vote in all circumstances at general meetings of any other member of our Group.

SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company immediately before and following the completion of the Capitalisation Issue and the Share Offer:

Authorised share capital		**Nominal value** *(US$)*
10,000,000,000	Shares of par value US$0.01 each	100,000,000
Shares issued and to be issued, fully paid or credited as fully paid (without taking into account Shares that may be issued upon exercise of the Offer Size Adjustment Option):		
11,100	Shares in issue as at the date of this prospectus	111
359,988,900	Share to be issued pursuant to the Capitalisation Issue *(Note)*	3,599,889
120,000,000	Shares to be issued under the Share Offer	1,200,000
480,000,000	**Total**	4,800,000
Shares issued and to be issued, fully paid or credited as fully paid (assuming full exercise of the Offer Size Adjustment Option):		
18,000,000	Shares to be issued upon full exercise of the Offer Size Adjustment Option	180,000
498,000,000	**Total**	4,980,000

Note: Pursuant to the resolutions passed by our Shareholders on 23 June 2017, our Directors were authorised to capitalise an aggregate amount of US$3,599,889 standing to the credit of the share premium of our Company and to appropriate such amount as capital to pay up in full at par 359,988,900 Shares for allotment and issue to the persons whose names appear on the register of members of our Company at the close of business on 23 June 2017, in proportion to their then existing shareholdings in our Company, each ranking pari passu in all respects with the then existing issued Shares.

Assumptions

The above table assumes that the Share Offer and the Capitalisation Issue have become unconditional and the issue of Shares pursuant to the Share Offer and the Capitalisation Issue have been made. The table takes no account of any Shares which may be allotted and issued, or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to Directors as referred to below or otherwise.

Minimum public float

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of the Listing and at all times thereafter, our Company must maintain the "minimum prescribed percentage" of 25% of the total issued share capital of our Company at the hands of the public (as defined in the GEM Listing Rules). The 120,000,000 Offer Shares represent 25% of the issued share capital of our Company upon Listing.

Ranking

The Offer Shares will carry the same rights in all respects with all the Shares now in issue or to be issued as mentioned in this prospectus and, in particular, will qualify in full for all dividends and other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus (and for the avoidance of doubt, other than the entitlements under the Capitalisation Issue).

GENERAL MANDATE TO ISSUE NEW SHARES

Conditional on the fulfilment or waiver (as applicable) of the conditions set out in the section headed "Structure and conditions of the Share Offer — Conditions of the Share Offer" of this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares or such securities convertible into Shares, and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or agreed conditionally to be allotted and issued in the share capital of our Company with a total nominal value of not more than the sum of:

(1) 20% of the total nominal amount of the issued share capital of our Company in issue immediately following the completion of the Share Offer and the Capitalisation Issue (excluding any Shares which may be issued upon the exercise of the Offer Size Adjustment Option); and

(2) the total nominal amount of our share capital repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares granted to our Directors as referred to below.

This general mandate does not apply to situations where our Directors allot, issue or deal with Shares by way of rights issue, script dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of whole or part of a dividend in accordance with the Bye-laws or pursuant to the grant of options under such share option scheme as may be adopted by our Company from time to time or other similar arrangements or pursuant to the Share Offer, or pursuant to the exercise of any subscription or conversion rights attaching to any warrants or any securities which are convertible into Shares or in issue prior to the date of the passing of the relevant resolution.

This general mandate will expire at the earliest of:

(a) the conclusion of our Company's next annual general meeting;

(b) the expiration of the period within which our Company is required by the Bye-laws or any other applicable laws to hold its next annual general meeting; and

(c) at the time when such mandate is revoked or varied by an ordinary resolution of the shareholders in general meeting.

For further details of this general mandate, see the paragraph headed "Written resolutions of our Shareholders passed on 23 June 2017" in the section headed "Further information about our Company" in "Appendix IV — Statutory and general information" of this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the fulfilment or waiver (as applicable) of the conditions set out in the section headed "Structure and conditions of the Share Offer — Conditions of the Share Offer" of this prospectus, our Directors have been granted the repurchase mandate, which is a general mandate to repurchase Shares with a total nominal value of not more than 10% of the aggregate of the total nominal amount of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding any Shares which may be issued upon the exercise of the Offer Size Adjustment Option).

This general mandate only relates to repurchase made on GEM, or any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which is in accordance with the GEM Listing Rules. Further information required by the Stock Exchange to be included in this prospectus regarding the repurchase of Shares is set out in the paragraph headed "Repurchase of Shares by our Company" in the section headed "Further information about our Company" in Appendix IV to this prospectus.

This general mandate will expire at the earliest of:

(a) the conclusion of our Company's next annual general meeting;

(b) at the expiration of the period within which our Company's next annual general meeting is required by the Bye-laws or any other applicable laws to be held; and

(c) at the time when such mandate is revoked or varied by an ordinary resolution of our shareholders in general meeting.

For further details of this general mandate, see the paragraph headed "Further information about our Company" in "Appendix IV — Statutory and general information" of this prospectus.

NO SHARE OPTION SCHEME

As at the Latest Practicable Date, our Company has not adopted any share option scheme.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

The method and procedures for holding of general meeting or class meeting of our Company and the circumstances under which such meetings are required are prescribed under and set out in the Bye-laws, which is summarised in the section "Summary of constitution of our Company and the Bermuda Company Law" in Appendix III to this prospectus

You should read the following discussion and analysis together with the audited consolidated financial statements of our Group and the notes thereto as of and for the years ended 31 December 2014, 2015 and 2016, included in the accountants' report set out in Appendix I to this prospectus. The accountants' report has been prepared in accordance with International Financial Reporting Standards, which may differ in material respects from generally accepted accounting principles in other jurisdictions.

The following discussion and analysis contains certain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors which we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that may cause future results to differ materially from those set forth in the forward-looking statements including, but not limited to, those discussed elsewhere in this prospectus in "Risk factors" and "Forward-looking Statement" sections of this prospectus.

Any discrepancies in any table or elsewhere in this prospectus between totals and sums of amounts listed herein are due to rounding.

Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

Our Group carries out research and development, manufactures and sells ITO film and Smart Light-adjusting Film, Smart Light-adjusting Glass and Smart Light-adjusting Projection System. According to the F&S Report, we are one of the few integrated manufacturers in the PRC which produces and sells ITO film as well as a range of related downstream products. While our market share in the PRC ITO film market in terms of revenues is relatively small (with approximately 2.1% of the market share by revenue for the year ended 31 December 2015), we were the leading manufacturer of Smart Light-adjusting Products and Smart Light-adjusting Projection Systems in the PRC, with a market share of approximately 20.4% and 51.2% in the respective markets by revenue in the year ended 31 December 2015.

We carry out the entire production process of our products at our production facilities situated at the Levels 1 and 2 of Factory Building No. 7 of Zhuhai Xingye New Energy and Industrial Park, 9 Jinzhu Road, Gaoxin district, Zhuhai city, Guandong province of the PRC. Our production facilities comprise offices and factories with a gross floor area of approximately 5,740 sq.m..

At present, we sell our products primarily to the domestic PRC market through direct sales and distribution agents while we have also commenced exporting our products to overseas markets. One of our business strategies is to expand our presence in various targeted overseas markets through various means (including engagement of sales agents and distributors, participation in industry exhibitions as well as promotion through online trading platforms).

We have built a strong customer base in China that includes (i) touch-screen device manufacturers in respect of ITO film products; (ii) construction companies and building contractors of developers in respect of Smart Light-adjusting Products; and (iii) construction companies and users for commercial (including advertising and marketing) purposes in respect of Smart Light-adjusting Projection System.

As we continue to exert resources and efforts on, without limitation, (i) the research and development of new materials and products; (ii) the enhancement of existing products and production processes (including bringing about full automation of some of our key processes); and (iii) the exploration and development of various applications of our existing technologies to Smart Light-adjusting Products, we will also increase our sales and marketing efforts for the distribution of our new and/or enhanced products which we believe will bring about growth to our business and financial results. In 2016, we have commenced the sale and/or entered into agreements for the supply of our Smart Light-adjusting Projection Systems to customers for both domestic and commercial advertisement and marketing uses and have commenced the provision of related design and engineering solutions. Our Directors believe that going forward such sales may generate material growth to our business, subject to public acceptance.

As one of the leading enterprises in the PRC in terms of the development of Smart Light-adjusting Products and Smart Light-adjusting Projection Systems, we have participated as a leading drafting party of national and regional industry standards in the PRC for Smart Light-adjusting Products and have received recognition from local PRC government authorities as a high-tech enterprise (which entitles us to a preferential enterprise income tax rate of 15% compared to the statutory rate of 25%). We believe that we possess advanced technologies and strong research and development capabilities that have led us to become a pioneer in the production of ultra-wide ITO film as well as a leader in the production of Smart Light-adjusting Products and Projection Systems in the PRC, with certain of our know-how being patented in the PRC.

We experienced growth during the Track Record Period. Our revenue for the years ended 31 December 2014, 2015 and 2016, was approximately RMB44.8 million, RMB60.5 million and RMB90.9 million respectively, representing an increase of 35.0% from the year ended 31 December 2014 to the year ended 31 December 2015 and an increase of approximately 50.2% from the year ended 31 December 2015 to the year ended 31 December 2016 respectively.

Our profit after tax for the years ended 31 December 2014, 2015 and 2016 was approximately RMB389,000, RMB7.7 million and RMB6.4 million respectively. For the years ended 31 December 2014, 2015 and 2016, our gross profit margin was approximately 31.9%, 39.5% and 38.3% respectively.

BASIS OF PRESENTATION

Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on 12 February 2015. The companies now comprising the Group were under the common control of our Controlling Shareholders before and after the Reorganisation. Accordingly, our financial information has been prepared by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Track Record Period.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Track Record Period include the results and cash flows of all companies now comprising the Group since the date when the subsidiaries first came under the common control. The consolidated statement of the financial position of the Group as at 31 December 2014 has been prepared to present the assets and liabilities of the subsidiaries using the existing book values from the controlling shareholders' perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

All intra-group transactions and balances have been eliminated on consolidation.

SIGNIFICANT FACTORS AFFECTING THE RESULTS OF OPERATIONS

The following factors are the principal factors that have affected, and which we expect will continue to affect, our business, financial condition, results of operations and prospects. The following should be read in conjunction with the section headed "Risk factors" in this prospectus and the accountants' report included as Appendix I to this prospectus.

Pricing of our products

We formulate and adjust our product prices by taking various factors into account. We gather and analyse market data and information which assists us to determine pricing of our products including (i) market demand; (ii) changes in market trends and conditions; (iii) our production and sales target; (iv) cost of sales (including cost of raw materials and cost of labour); (v) level of customer acceptance of our products; and (vi) prices set by our competitors for similar products. Our contracts generally do not contain price adjustment provisions, and, as a result, we may not be able to claim for additional costs arising from price fluctuations with respect to raw materials or changes in laws. Therefore, we may not be able to maintain the prices of our products at the same level in the future. Nevertheless, in our ordinary course of business, we may be able to effect price adjustments, for both sales and purchases, through negotiation. If our pricing does not effectively cover the possible increases in the cost of raw materials, labour and other costs, or any additional requirements regarding technical specifications, our gross margin may decrease, which may have a material adverse effect on our financial condition and results of operations.

Product mix

During the Track Record Period, we generated our revenue primarily from the manufacturing and sales of ITO film, Smart Light-adjusting Products and Smart Light-adjusting Projection System. Please refer to the section "Business — Our products" in this prospectus for details. The profitability of our sales of products varies according to the types of products. Generally, products which are more technologically advanced or sophisticated have higher gross margins than other products. Changes in our product mix may affect our profitability and total revenue. If we adjust our product mix to reflect prevailing market demand, our profit could, to some extent, be affected.

Price and supply of raw materials

Our cost of sales during the Track Record Period was largely attributable to the cost of raw materials. Our raw materials mainly included hardened PET-film, ITO Targets, protective film and ITO film, PDLC, projectors and projection cabinets. For the years ended 31 December 2014, 2015 and 2016, the cost of our raw materials accounted for approximately 84.3%, 84.6% and 84.8% of our total cost of sales respectively. These raw materials are purchased from suppliers with whom we have not entered into long-term contracts and there is no guarantee that we will be able to source these raw material at acceptable prices on an ongoing basis.

Fluctuations in the prices of our raw materials may affect our product costs directly. It is estimated that with an increase/decrease of approximately 10% in the cost of raw materials and all other variables held constant, our profit before tax would have decreased/increased by approximately RMB2.6 million, RMB3.1 million and RMB4.8 million for the years ended 31 December 2014, 2015 and 2016 respectively. See "Financial Information — Sensitivity and breakeven analysis" for details.

Product innovation and enhancement

Our business prospects and competitiveness in the market in which we operate depend on our ability to assess the market and technology trends, anticipate market developments and direct our sales efforts to relevant product development projects to adapt to evolving market conditions. To this end, we maintain a research and development team whose responsibilities include conducting research with a view of enhancing and developing new products and applications as well as improving our production techniques and efficiency to strengthen our market competitiveness, one particular new application is our Smart Light-adjusting Projection System.

Our success in developing new and enhanced products has a positive effect on our financial position and results of operations. We believe that the development and enhancement of our products will be an important factor for our future results of operations. Our ability to continuously develop products with advanced technologies (which meet our target customers' requirements and meet market trends) depends on our continuous investments and efforts in research and development. For the years ended 31 December 2014, 2015 and 2016, our research-related costs amounted to approximately RMB1.6 million, RMB2.0 million and RMB2.2 million respectively. For details of our research and development strategies, please refer to the section headed "Business — Research and development".

Taxation

Currently, our key operating subsidiary, Singyes Applicable Materials is entitled to a preferential income tax rate of 15% available to "high-tech enterprises" accredited by the PRC government. There is no assurance that we will continue to enjoy such preferential tax treatment in the future. See "Risk factors — Risks relating to our industry — Our tax burden may increase as a result of loss of high-tech enterprise accreditation or change in tax policies of the PRC government". As a result of the above preferential tax treatment, our effective tax rate was 25%, 15% and 15% for the years ended 31 December 2014, 2015 and 2016 respectively. Termination or revision of the preferential tax treatment that Singyes Applicable Materials currently enjoy may have a negative impact on our results of operations and financial condition.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The preparation of our consolidated financial information requires selecting accounting policies and making estimates and assumptions that affect items reported in the consolidated financial information. The determination of these accounting policies is fundamental to our results of operations and financial position and requires management to make subjective and complex judgments about matters that are inherently uncertain based on information and data that may change in future periods. As a result, determinations regarding these items necessarily involve the use of assumptions and subjective judgments as to future events and are subject to change, and the use of different assumptions or data could produce materially different results. In addition, actual results could differ from estimates and may have a material adverse effect on our business, financial position, results of operations or cash flows. The financial information has been prepared in accordance with IFRS, which comprise all standards and interpretations approved by the International Accounting Standards Board. All IFRS effective for the accounting period commencing from 1 January 2016, together with relevant transitional provisions, have been early adopted by our Group in preparation of the financial information through the Track Record Period.

The financial information has been prepared under the historical cost convention. The financial information is presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

It should be noted that accounting estimates and assumptions are used in the preparation of the financial information. Although these estimates are based on our management's expertise and judgement of current events and actions, actual results may ultimately differ from those estimates. These estimates and assumptions are subject to change in the future, as necessary. The methods, estimates and judgements that we use in applying our accounting policies may have a significant impact on our results and operations. Some of the accounting policies require us to make difficult and subjective judgements, often as a result of the need to make estimates in respect to matters that are inherently uncertain. When reviewing our financial information contained herein, you should consider (i) our selection of critical accounting policies; (ii) the judgement and assumptions affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions.

For information regarding our significant accounting policies and the summary of significant accounting judgments and estimates, see Notes 3.2 and 3.3 of section II to the accountant's report set forth in Appendix I to this prospectus.

SUMMARY RESULTS OF OPERATIONS

The following table set forth our consolidated income statements and consolidated statements of comprehensive income and other financial information for the periods indicated, as derived from the accountants' report in set out Appendix I to this prospectus.

Operating results in any historical period may not be indicative of the results that may be expected in any future period.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	44,805	60,477	90,887
Cost of sales	(30,524)	(36,581)	(56,084)
Gross profit	14,281	23,896	34,803
Other income and gains	14	1,089	1,065
Selling and distribution expenses	(5,211)	(5,633)	(8,107)
Administration expenses	(6,758)	(7,771)	(17,932)
Other expenses	(1,518)	(1,968)	(1,000)
Finance costs	(106)	(205)	—
Profit before tax	702	9,408	8,829
Income tax expense	(313)	(1,712)	(2,448)
Profit for the year	389	7,696	6,381
Other comprehensive gain/(loss):			
Other comprehensive gain not to be reclassified to profit or loss in subsequent years:			
Exchange differences on translation of financial statements	—	9	(134)
Total comprehensive income for the year	389	7,705	6,247

DESCRIPTION AND ANALYSIS OF PRINCIPAL COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

We derived our revenue during the Track Record Period primarily from the production and sale of four main types of products, namely, (i) ITO film; (ii) Smart Light-adjusting Film; (iii) Smart Light-adjusting Glass; and (iv) Smart Light-adjusting Projection System. Our total revenue amounted to approximately RMB44.8 million, RMB60.5 million and RMB90.9 million for the years ended 31 December 2014, 2015 and 2016 respectively. The following table sets forth our revenue by product type during the Track Record Period:

	Year ended 31 December					
	2014		**2015**		**2016**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
ITO film	18,159	40.5	18,354	30.4	13,729	15.1
Smart Light-adjusting Film	7,200	16.1	18,621	30.8	18,882	20.8
Smart Light-adjusting Glass	18,566	41.4	8,360	13.8	26,492	29.1
Smart Light-adjusting Projection System	—	—	13,621	22.5	23,788	26.2
Other *(Note)*	880	2.0	1,521	2.5	7,996	8.8
Total	44,805	100.0	60,477	100.0	90,887	100.0

Note: Other revenues include sales generated from the sale and resale of components, semi-finished goods and accessories relating to and/or used in our key products such as projectors, glass panels and power switches.

The following table set forth our sales volume and average selling price by product type during the Track Record Period:

	Year ended 31 December					
	2014		**2015**		**2016**	
	Sales volume *(Note 1)*	**Average selling price** *RMB*	**Sales volume** *(Note 1)*	**Average selling price** *RMB*	**Sales volume** *(Note 1)*	**Average selling price** *RMB*
ITO film (sq.m.)	138,529	131	162,138	113	129,867	106
Smart Light-adjusting Film (sq.m.)	6,984	1,031	24,500	760	28,472	663
Smart Light-adjusting Glass (sq.m.)	11,062	1,678	6,220	1,344	22,196	1,194
Smart Light-adjusting Projection System (set)	—	—	220	61,914	471	50,505
Other *(Note 2)*	N/A	N/A	N/A	N/A	N/A	N/A

Notes:

1. Set for Smart Light-adjusting Projection System and sq.m. for other product type.

2. The sales volume and average selling price of other products is not indicative.

The average selling price of ITO film decreased from approximately RMB131 for the year ended 31 December 2014 to RMB113 and RMB106 for the years ended 31 December 2015 and 2016 respectively. Such decrease was driven by our price adjustment to accommodate for prevailing market conditions, which experienced decreasing sales price due to increasing capacity of suppliers for mass production, technological advances and decreasing price of raw materials (such as PET film and ITO Targets). This has led to less reliance on import of ITO film and further downward pressure on the average selling price of Smart Light-adjusting Products, which was further affected by factors such as increase in availability and market penetration. Similar technological advances, economy of scale due to increase in production volume and decreasing pricing of laser projection systems have led to downward pressure on the average selling price of our Smart Light-adjusting Projection Systems.

The sales volume of our ITO film was approximately 129,867 sq.m. for the year ended 31 December 2016, which represented a decrease of approximately 32,271 sq.m., or 19.9%, from approximately 162,138 sq.m. for the year ended 31 December 2015. Such decrease was mainly due to a change in business strategy to shift to vertical integration and rely on our own supply of ITO film for production in downstream products which were experiencing an increase in demand. As such, the sales and production volume of Smart Light-adjusting Products and Smart Light-adjusting Projection Systems had increased accordingly during the year ended 31 December 2016. The sales volume of Smart Light-adjusting Glass decreased by approximately 4,842 sq.m. or 43.8% from 11,062 sq.m. for the year ended 31 December 2014 to 6,220 sq.m. for the year ended 31 December 2015. The decrease was mainly because of diverting our resources to the launch of our Smart Light-adjusting Projection System in August 2015.

Revenue by geographical location

For the years ended 31 December 2014, 2015 and 2016, we derived our revenue principally from the PRC. The following table set forth breakdown of our revenue by geographical region:

	Year ended 31 December					
	2014		**2015**		**2016**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Domestic						
— Mainland China	44,194	98.6	59,987	99.2	89,806	98.8
Overseas *(Note)*	611	1.4	490	0.8	1,081	1.2
Total	44,805	100.0	60,477	100.0	90,887	100.0

Note: Primarily relate to revenue from the export of our products to Australia, Peru, Germany and Dubai. The destination of the exports is based solely on the addresses of the customers as stated in the relevant sales invoices. Our customers may resell our products to end-customers located elsewhere

For the years ended 31 December 2014, 2015 and 2016, our revenue was generated mainly from sales to customers in the PRC and such sales amounted to approximately RMB44.2 million, RMB60.0 million and RMB89.8 million, representing approximately 98.6%, 99.2% and 98.8% of our revenue respectively.

Revenue by sales channels

A majority of our revenue was derived from direct sales during the Track Record Period. The following table sets forth a breakdown of our revenue by sales channels for the Track Record Period:

	Year ended 31 December					
	2014		2015		2016	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Direct sales	44,320	98.9	59,829	98.9	86,539	95.2
Distribution sales	485	1.1	648	1.1	4,348	4.8
Total	44,805	100.0	60,477	100.0	90,887	100.0

For the years ended 31 December 2014, 2015 and 2016, our revenue was generated mainly from direct sales and revenue from direct sales amounted to approximately RMB44.3 million, RMB59.8 million and RMB86.5 million, representing approximately 98.9%, 98.9% and 95.2% of our revenue respectively.

Cost of sales

Our cost of sales consists of (i) costs of raw materials, (ii) manufacturing overheads; and (iii) direct labor costs.

We use various raw materials in our production process including hardened PET film, ITO Targets, protective film and ITO film, PDLC, projectors and projection cabinets. Our raw materials cost accounted for approximately 84.3%, 84.6% and 84.8% of our cost of sales for the years ended 31 December 2014, 2015 and 2016 respectively.

Manufacturing overheads primarily consist of depreciation of our property, plant and equipment and other manufacturing costs. Manufacturing overheads accounted for approximately 9.8%, 9.5% and 11.1% of our cost of sales for the years ended 31 December 2014, 2015 and 2016 respectively.

Direct labor cost primarily consists of expenses related to wages and various employee benefits paid to production personnel. Direct labor costs accounted for approximately 5.9%, 6.0% and 4.1% of our cost of sales for the years ended 31 December 2014, 2015 and 2016 respectively.

The table below sets forth a breakdown of our cost of sales by type for the periods indicated:

	Year ended 31 December					
	2014		2015		2016	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Raw materials						
PDLC	1,529	5.0	2,359	6.4	4,191	7.5
PET materials	16,254	53.3	16,150	44.1	13,626	24.3
PVB	1,299	4.3	885	2.4	2,421	4.3
Glass	1,507	4.9	822	2.2	1,807	3.2
Projectors	—	—	3,913	10.7	14,410	25.7
Others	5,132	16.8	6,803	18.7	11,077	19.8
Subtotal	25,721	84.3	30,932	84.5	47,532	84.8
Manufacturing overheads *(Note)*	2,994	9.8	3,467	9.5	6,228	11.1
Direct labor	1,809	5.9	2,182	6.0	2,324	4.1
Total	30,524	100.0	36,581	100.0	56,084	100.0

Note: Manufacturing overheads primarily include depreciation of our property, plant and equipment and other manufacturing costs.

Raw materials historically represent a significant majority of our cost of sales. During the Track Record Period, the absolute amounts of our raw materials and our total cost of sales have continued to increase as a result of the continued increase of our sales.

The table below sets forth a breakdown of our cost of sales by product for the periods indicated:

	Year ended 31 December					
	2014		2015		2016	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
ITO film	15,044	49.3	14,691	40.2	10,507	18.7
Smart Light-adjusting Film	3,207	10.5	8,936	24.4	8,169	14.6
Smart Light-adjusting Glass	11,284	37.0	6,089	16.7	18,590	33.1
Smart Light-adjusting Projection System	—	—	5,714	15.6	13,115	23.4
Other *(Note)*	989	3.2	1,151	3.1	5,703	10.2
Total	30,524	100.0	36,581	100.0	56,084	100.0

Note: Other cost of sales relate to costs relating to the sale and resale of components, semi-finished goods and accessories related to and/or used in our key products such as projectors, glass panels and power switches.

Gross profit

Gross profit represents the excess of revenue over cost of sales. The following table sets out the gross profit and gross profit margin of our products and the percentage of our total gross profit by product for the periods indicated:

	Year ended 31 December								
	2014			2015			2016		
	Gross profit		Gross profit margin	Gross profit		Gross profit margin	Gross profit		Gross profit margin
	RMB'000	*%*	*%*	*RMB'000*	*%*	*%*	*RMB'000*	*%*	*%*
ITO film	3,115	21.8	17.2	3,663	15.3	20.0	3,222	9.3	23.5
Smart Light-adjusting Film	3,993	28.0	55.5	9,685	40.5	52.0	10,713	30.7	56.7
Smart Light-adjusting Glass	7,282	51.0	39.2	2,271	9.5	27.2	7,902	22.7	29.8
Smart Light-adjusting Projection System	—	—	—	7,907	33.1	58.1	10,673	30.7	44.9
Other *(Note)*	(109)	(0.8)	(12.4)	370	1.6	24.3	2,293	6.6	28.7
Total	14,281	100.0	31.9	23,896	100.0	39.5	34,803	100.0	38.3

Note: Other profits include profits resulting from revenues generated from the sale and resale of components, semi-finished goods and accessories relating to and/or used in our key products such as projectors, glass panels and power switches.

Other income and gains

Other income and gains mainly included bank interest income and government grants.

During the Track Record Period, we applied for and received government grants from local government authorities in the PRC, which mainly included government grants for the cultivation of new high-tech enterprises and to support the importation of technology. Although government grants are generally awarded to us every year, they are not recurring in nature and are made on a case-by-case basis by the government authorities in accordance with applicable national and local policies.

The following table sets out a breakdown of our other income and gains for the periods indicated:

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Deferred income released to profit and loss	—	—	76
Bank interest income	8	22	17
Government grants	6	1,067	600
Foreign exchange gains	—	—	346
Sales of scrapped materials	—	—	26
Total	14	1,089	1,065

Selling and distribution expenses

Our selling and distribution expenses primarily included wages and salaries and relevant benefits for sales personnel as well as logistic expenses, travelling expenses and advertising and exhibition expenses. For the years ended 31 December 2014, 2015 and 2016, our selling and distribution expenses were approximately RMB5.2 million, RMB5.6 million and RMB8.1 million, representing approximately 11.6%, 9.3% and 8.9% of our revenue for those periods respectively. The following table sets out a breakdown of our selling and distribution expenses for the periods indicated:

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Logistic expenses	716	648	594
Wages and salaries and relevant benefits	1,627	2,377	2,908
Travelling expenses	530	657	949
Advertising and exhibition expenses	727	880	1,435
Quality assurance expenses	689	279	701
Others	922	792	1,520
Total	5,211	5,633	8,107

Administrative expenses

Our administrative expenses primarily included research costs and wages and salaries for administrative personnel for the two years ended 31 December 2014 and 2015. Our administrative expenses mainly comprised of non-recurring Listing expenses for the year ended 31 December 2016. Research costs incurred during the years ended 31 December 2014, 2015 and 2016 represented expenditure incurred on the research phase of our Group's internal projects. As our Group cannot demonstrate that an intangible asset exists that will generate probable future economic benefits, such expenditure were charged to profit or loss as incurred in accordance with the accounting policy adopted by our Group. The accounting policy for "Research and development costs" is set forth in the section headed "Summary of significant accounting policies" in Appendix I to this prospectus. For the years ended 31 December 2014, 2015 and 2016, our administrative expenses were approximately RMB6.8 million, RMB7.8 million and RMB17.9 million, equal to approximately 15.1%, 12.8% and 19.7% of our revenue for those periods respectively. The following table sets out the breakdown of administrative expenses for the periods indicated:

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Research costs	1,603	1,984	2,206
Wages and salaries and relevant benefits	2,259	3,195	3,170
Professional fees	281	344	931
Listing expenses	—	—	9,696
Entertainment and travelling expenses	683	892	949
Depreciation and amortization	80	124	135
Consumables	1,232	156	40
Others	620	1,076	805
Total	6,758	7,771	17,932

Other expenses

Our other expenses mainly comprised impairment losses. For the years ended 31 December 2014, 2015 and 2016, our other expenses were approximately RMB1.5 million, RMB2.0 million and RMB1.0 million, equal to approximately 3.4%, 3.3% and 1.1% of our revenue for those periods respectively. The following table sets out the breakdown of other expenses for the periods indicated:

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Impairment losses	1,436	1,876	924
Exchange losses	65	69	—
Bank handling fee	17	23	29
Loss of disposal of property, plant and equipment	—	—	47
Total	1,518	1,968	1,000

Interest expenses

Our interest expenses represent interest on short-term bank loans. For the years ended 31 December 2014, 2015 and 2016, our interest expenses were approximately RMB106,000, RMB205,000 and nil, equal to approximately 0.2%, 0.3% and nil of our revenue for the respectively periods.

Income tax expense

The income tax expenses represent our total current corporate income tax and deferred tax expenses. In the years ended 31 December 2014, 2015 and 2016, our effective income tax rate was 25%, 15% and 15% respectively. For the years ended 31 December 2014, 2015 and 2016, the income tax expenses incurred by our Group amounted to approximately RMB313,000, RMB1.7 million and RMB2.4 million respectively. During the Track Record Period, we paid all relevant taxes due and did not have any material tax disputes with relevant tax authorities. The following table sets out a breakdown of our income tax expenses for the periods indicated:

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Current — mainland China			
— Charge for the year/period	566	1,800	2,413
Deferred	(253)	(88)	35
Total tax charge for the year	313	1,712	2,448

During the year ended 31 December 2014, Singyes Applicable Materials was subject to an income tax rate of 25%. During the year ended 31 December 2015 and 2016, Singyes Applicable Materials was entitled to a preferential income tax rate of 15% as it was accredited as "high-tech enterprise" by the local PRC authorities from 1 January 2015 to 31 December 2017. For more details, please see paragraphs "Laws and regulations on taxation — Enterprise income tax" in the section headed "PRC regulatory overview"of this prospectus.

Pursuant to Bermuda law, we are not subject to any income tax in Bermuda. Our subsidiary incorporated in Hong Kong was subject to income tax at the rate of 16.5% during the Track Record Period. No provision for Hong Kong profit tax has been made as we had no assessable profit derived from or earned in Hong Kong during the Track Record Period.

Year ended 31 December 2016 compared to year ended 31 December 2015

Revenue

Our revenue was approximately RMB90.9 million for the year ended 31 December 2016, which represented an increase of approximately RMB30.4 million, or 50.2% from RMB60.5 million for the year ended 31 December 2015. The increase was primarily attributable to an increase in the revenue from (i) the sales of Smart Light-adjusting Glass which was driven by the increase in the sales volume of approximately 256.8%; and (ii) the sales of Smart Light-adjusting Projection Systems which was driven by the increase in the sales volume of approximately 114.1%, but was offset by a decrease in (i) average selling price of ITO film from approximately RMB113 per sq.m. for the year ended 31 December 2015 to approximately RMB106 per sq.m. for the year ended 31 December 2016; and (ii) average selling price of Smart Light-adjusting Projection System from approximately RMB61,914 per set for the year ended 31 December 2015 to approximately RMB50,505 per set for the year ended 31 December 2016.

Revenue from sales of ITO film

Our revenue from the production and sales of ITO film decreased by approximately RMB4.7 million or approximately 25.5% from approximately RMB18.4 million for the year ended 31 December 2015 to approximately RMB13.7 million for the year ended 31 December 2016. The decrease was attributable to (i) decrease in average selling price of approximately 6.2% which was driven by the our pricing adjustment of ITO film to accommodate for prevailing market conditions; and (ii) decrease in sales volume of ITO film of approximately 19.9% due to decrease in sales orders from our major existing customers and shift of resources to vertical integration of relying on our own supply of ITO film for the production of downstream products (such as Smart Light-adjusting Products and Smart Light-adjusting Projection Systems).

Revenue from sales of Smart Light-adjusting Film

Our revenue from the production and sales of Smart Light-adjusting Film increased by approximately RMB300,000 or approximately 1.6% from approximately RMB18.6 million for the year ended 31 December 2015 to approximately RMB18.9 million for the year ended 31 December 2016. The increase was primarily attributable to the increase in sales volume of Smart Light-adjusting Film by approximately 16.2% mainly due to the increase number of orders placed by our existing customers and new customers for the year ended 31 December 2016 which offset the decrease of average selling price of Smart Light-adjusting Film.

Revenue from sales of Smart Light-adjusting Glass

Our revenue from the production and sales of Smart Light-adjusting Glass increased by approximately RMB18.1 million or approximately 215.5% from approximately RMB8.4 million for the year ended 31 December 2015 to approximately RMB26.5 million for the year ended 31 December 2016. The increase resulted from an increase in sales to new customers (comprising mainly decoration companies who supply Smart Light-adjusting Glass to hotels and other renovation projects).

Revenue from sales of Smart Light-adjusting Projection System

We commenced our production and sales of Smart Light-adjusting Projection System in August 2015. Our revenue from the production and sales of Smart Light-adjusting Projection Systems were approximately RMB13.6 million and RMB23.8 million for the years ended 31 December 2015 and 2016 respectively which represented an increase of approximately RMB10.2 million, or approximately 75.0%. Such increase was primarily attributable to an increase of sales volume of Smart Light-adjusting Projection Systems by approximately 114.1% mainly due to orders placed by our new customers comprising mainly advertising companies for the year ended 31 December 2016 which was partially offset by the decrease of average selling price of Smart Light-adjusting Projection Systems by approximately 18.4%.

Revenue from sales of other products

Our revenue from the sales of other products included sales generated from the sale and resale of components, semi-finished goods and accessories relating to and/or used in our key products such as projectors, glass panels and power switches, which increased by approximately RMB6.5 million or 433.3% from approximately RMB1.5 million for the year ended 31 December 2015 to approximately RMB8.0 million for the year ended 31 December 2016. During the year, we received standalone orders for projectors in the amount of approximately RMB3.6 million. Also, the increase in sales of other products was due to sales of other supporting accessories such as glass panels to be used alongside with our Smart Light-adjusting Glass in the construction projects of one of our major customers in 2016, and the sales of other supporting accessories such as power switches, controllers and cables to be used alongside with our commercial Smart Light-adjusting Projection System subject to different customization requirements from our customers during the year.

Cost of sales

Our cost of sales was approximately RMB56.1 million for the year ended 31 December 2016, which represented an increase of approximately RMB19.5 million, or approximately 53.3%, from approximately RMB36.6 million for the year ended 31 December 2015. The increase in cost of sales mainly reflected our increase in sales of Smart Light-adjusting Glass and Smart Light-adjusting Projection System for the year ended 31 December 2016 as compared to the same period in 2015.

Our cost of raw materials was approximately RMB47.5 million for the year ended 31 December 2016, which represented an increase of approximately RMB16.6 million, or approximately 53.7%, from approximately RMB30.9 million for the year ended 31 December 2015. The increase in cost of raw materials was primarily due to increase in raw materials consumed in line with an increase of sales in our Smart Light-adjusting Products and our sales of Smart Light-adjusting Projection Systems.

Furthermore, our manufacturing overheads increased by approximately 77.1% from RMB3.5 million for the year ended 31 December 2015 to approximately RMB6.2 million for the year ended 31 December 2016, primarily due to the commencement of operations of (i) our vacuum roll-to-roll ITO sputtering machine in October 2015 which had led to an increase in depreciation and (ii) our entering into the lease of our production site in September 2015.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by approximately RMB10.9 million, or 45.6%, from approximately RMB23.9 million for the year ended 31 December 2015 to RMB34.8 million for the year ended 31 December 2016. Our gross profit margin decreased slightly from approximately 39.5% for the year ended 31 December 2015 to approximately 38.3% for the year ended 31 December 2016. The decrease was mainly attributed to the lower selling prices of our Second Generation Smart Light-adjusting Projection Systems compared to commercial Smart Light-adjusting Projection Systems with a view to capture additional sales volume for the year ended 31 December 2016.

Other income and gains

Our other income and gains remained the same at approximately RMB1.1 million for the years ended 31 December 2015 and 2016.

Selling and distribution expenses

Our selling and distribution expenses were approximately RMB8.1 million for the year ended 31 December 2016, which represented an increase of approximately RMB2.5 million, or 44.6%, from approximately RMB5.6 million for the year ended 31 December 2015. This increase was attributable to (i) an increase in remuneration for sales and marketing employees based on sales performances which resulted in an increase in overall wages and salaries and relevant benefits by approximately RMB531,000; (ii) an increase in expenses relating to our marketing efforts in business promotion and participation in exhibitions by approximately RMB555,000; and (iii) an increase in quality assurance deposits for sales of our products by approximately RMB422,000. As a percentage of revenue, our selling and distribution expenses decreased to approximately 8.9% for the year ended 31 December 2016 from approximately 9.3% for the year ended 31 December 2015.

Administrative expenses

Our administration expenses were approximately RMB17.9 million for the year ended 31 December 2016, which represented an increase of approximately RMB10.1 million, or 129.5%, from approximately RMB7.8 million for the year ended 31 December 2015. The increase was primarily attributable to the non-recurring Listing expenses of approximately RMB9.7 million which was charged for the year ended 31 December 2016. As a percentage of revenue, our administrative expenses increased to approximately 19.7% for the year ended 31 December 2016 from approximately 12.8% for the year ended 31 December 2015.

Other expenses

Our other expenses were approximately RMB1.0 million for the year ended 31 December 2016, which represented a decrease of approximately RMB1.0 million, or 50.0%, from approximately RMB2.0 million for the year ended 31 December 2015. The decrease was primarily attributable to the decrease of impairment loss recognised on property, plant and equipment and trade receivables of approximately RMB952,000. As a percentage of revenue, our other expenses decreased to approximately 1.1% for the year ended 31 December 2016 from approximately 3.3% for the year ended 31 December 2015.

Profit before tax

As a result of the foregoing, we recorded a profit before tax of approximately 8.8 million for the year ended 31 December 2016, which represented a decrease of approximately 6.4% from approximately RMB9.4 million for the year ended 31 December 2015. The decrease was mainly due to our non-recurring Listing expenses attributable to the relevant period of approximately RMB9.7 million.

Income tax expense

The applicable tax rate on our income remained at 15% for the years ended 31 December 2015 and 2016. Our income tax was approximately RMB2.4 million for the year ended 31 December 2016, which represented an increase of approximately RMB700,000, or 41.2%, from approximately RMB1.7 million for the year ended 31 December 2015. This was attributable to our increase in taxable income due to increase in sales for the year ended 31 December 2016 as compared to the same period in the preceding year.

Profit for the period

As a result of the foregoing, we recorded a profit for the period of approximately RMB7.7 million for the year ended 31 December 2015 and a profit of approximately RMB6.4 million for the year ended 31 December 2016. Our profits for these years were affected by the non-recurring Listing expenses of RMB9.7 million attributable to the year ended 31 December 2016 as discussed above.

Year ended 31 December 2015 compared to year ended 31 December 2014

Revenue

Our revenue was approximately RMB60.5 million for the year ended 31 December 2015, which represented an increase of approximately RMB15.7 million, or 35.0% from approximately RMB44.8 million for the year ended 31 December 2014. The increase was primarily attributable to an increase in our revenue which resulted from (i) our commencement of production and sales of Smart Light-adjusting Projection Systems in the second half of 2015; and (ii) increase of sales of Smart Light-adjusting Film mainly due to increase of sales volume by 2.5 times but partially offset the decrease in sales volume of Smart Light-adjusting Glass by 43.8% and the decrease in average selling price of ITO film and Smart Light-adjusting Products.

Revenue from sales of ITO film

Our revenue from the production and sales of ITO film increased by approximately RMB0.2 million or 1.1% from approximately RMB18.2 million for the year ended 31 December 2014 to approximately RMB18.4 million for the year ended 31 December 2015. The increase was primarily attributable to increase in sales volume of our ITO film by approximately 17.0% from 138,529 sq.m. for the year ended 31 December 2014 to 162,138 sq.m. by for the year ended 31 December 2015 which was offset by the decrease in the average selling price of our ITO film by approximately 13.7% due to decrease of market price of PET film and ITO Targets being the major raw materials of ITO film.

Revenue from sales of Smart Light-adjusting Film

Our revenue from the production and sale of Smart Light-adjusting Film increased by approximately RMB11.4 million or 158.3% from approximately RMB7.2 million for the year ended 31 December 2014 to approximately RMB18.6 million for the year ended 31 December 2015. The increase was primarily attributable to an increase in sales volume of our Smart Light-adjusting Film by 2.5 times from 6,984 sq.m. for the year ended 31 December 2014 to 24,500 sq.m. for the year ended 31 December 2015 which was partially off-set by the decrease in the average selling price of Smart Light-adjusting Film by approximately 26.3% due to a downward market price trend of raw materials in ITO film and PDLC.

Revenue from sales of Smart Light-adjusting Glass

Our revenue from the production and sales of Smart Light-adjusting Glass decreased by approximately RMB10.2 million or 54.8% from approximately RMB18.6 million for the year ended 31 December 2014 to approximately RMB8.4 million for the year ended 31 December 2015. The decrease was mainly attributable to the decrease sale volume by approximately 43.8% from 11,062 sq.m. for the year ended 31 December 2014 to 6,220 sq.m. for the year ended 31 December 2015 due to the fact that we slowed down our sales in Smart Light-adjusting Glass in 2015 as we temporarily directed our resources to the launch of our Smart Light-adjusting Projection Systems in August 2015 where Smart Light-adjusting Glass were treated as work in-progress for Smart Light-adjusting Projection Systems.

Revenue from sales of Smart Light-adjusting Projection System

We commenced the production and sales of our Smart Light-adjusting Projection System in August 2015. Our revenue from the production and sales of Smart Light-adjusting Projection Systems was approximately RMB13.6 million for the year ended 31 December 2015. We did not produce or sell any Smart Light-adjusting Projection System in the year ended 31 December 2014.

Cost of sales

Our cost of sales was approximately RMB36.6 million for the year ended 31 December 2015, which represented an increase of RMB6.1 million, or approximately 20.0%, from approximately RMB30.5 million for the year ended 31 December 2014. The increase in cost of sales was mainly attributable to an increase in cost of raw material, due to procurement of raw materials including PDLC, PET materials and projectors to meet our increase in amount of sales orders of our ITO film and Smart Light-adjusting Film and our newly launched Smart Light-adjusting Projection Systems.

Our cost of raw materials was approximately RMB30.9 million for the year ended 31 December 2015, which represented an increase of approximately RMB5.2 million, or approximately 20.2%, from approximately RMB25.7 million for the year ended 31 December 2014. The increase in cost of raw materials was mainly attributable to the increase of sales volume in our ITO film and Smart Light-adjusting Film and our sales of newly launched Smart Light-adjusting Projection Systems which in turn increased our procurement of raw materials but partially offset by the decrease in cost of raw materials such as PET materials, PDLC and glass due to downward market price trend in the industry.

Furthermore, our manufacturing overheads, increased by approximately 16.7% from approximately RMB3.0 million for the year ended 31 December 2014 to approximately RMB3.5 million for the year ended 31 December 2015, primarily due to (i) the commencement of operations of our vacuum roll-to-roll ITO sputtering machine in October 2015 which had led to an increase of depreciation; and (ii) our entering into the lease for our production site in September 2015. Our direct labor cost also increased by approximately 22.2% from approximately RMB1.8 million for the year ended 31 December 2014 to approximately RMB2.2 million for the year ended 31 December 2015, primarily due to the increase in (i) sales of our products in particular our ITO film and Smart Light-adjusting Film and our newly launched Smart Light-adjusting Projection Systems which in turn increased our full time employees of our production department from 34 employees for the year ended 31 December 2014 to 46 employees for the year ended 31 December 2015; and (ii) increase in salaries of our production employees by 30% from December 2014.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by approximately RMB9.6 million, or 67.1%, from approximately RMB14.3 million for the year ended 31 December 2014 to approximately RMB23.9 million for the year ended 31 December 2015.

Our gross profit margin increased from approximately 31.9% for the year ended 31 December 2014 to approximately 39.5% for the year ended 31 December 2015, mainly attributed to the commencement of production and sale of our Smart Light-adjusting Projection Systems in August 2015 which had a higher profit margin than our other products. The foregoing factors for the increase in our gross profit margin were partially offset by the decrease of gross profit margin in Smart Light-adjusting Film and Smart Light-adjusting Glass by approximately 3.5% and 12.0% respectively due to a decrease in the average market price of these products which driven the decrease of our average selling price of Smart Light-adjusting Film and Smart Light-adjusting Glass by approximately 26.3% and 19.9% respectively.

Other income and gains

Our other income and gains was approximately RMB1.1 million for the year ended 31 December 2015, which represented an increase of approximately RMB1.1 million, or 76.8 times from RMB14,000 for the year ended 31 December 2014. The increase was primarily due to an increase of approximately RMB1.1 million in government grants for special funds for academic cooperation, the cultivation of new high-tech enterprises and Zhuhai Finance Bureau subsidies for the year ended 31 December 2015.

Selling and distribution expenses

Our selling and distribution expenses were approximately RMB5.6 million for the year ended 31 December 2015, which represented an increase of approximately RMB0.4 million, or 7.7%, from approximately RMB5.2 million for the year ended 31 December 2014. This increase was primarily attributable to the increase in wages and salaries of our sales personnel by approximately RMB750,000 due to the increase in average annual salaries of our sales personnel by 20% from December 2014. As a percentage of revenue, our selling and distribution expenses decreased to approximately 9.3% for the year ended 31 December 2015 from approximately 11.6% for the year ended 31 December 2014.

Administrative expenses

Our administration expenses were approximately RMB7.8 million for the year ended 31 December 2015, which represented an increase of approximately RMB1.0 million, or 14.7%, from approximately RMB6.8 million for the year ended 31 December 2014. The increase was primarily attributable to an increase in (i) wages and salaries and relevant benefits due to the increase in salaries of our administrative employees by 20% from December 2014; and (ii) travelling expenses of our administrative personnel but partially offset by the decrease of consumables by approximately RMB1.1 million. As a percentage of revenue, our administrative expenses decreased to approximately 12.8% for the year ended 31 December 2015 from 15.1% for the year ended 31 December 2014.

Other expenses

Our other expenses were approximately RMB2.0 million for the year ended 31 December 2015, which represented an increase of approximately RMB0.5 million, or 33.3%, from RMB1.5 million for the year ended 31 December 2014. The increase was primarily attributable to the increase of impairment loss on trade receivables by approximately RMB1.2 million mainly due to bad debt provision for four of our customers partially offset by the decrease in impairment loss on property, plant and equipment by approximately RMB585,000. As a percentage of revenue, other expenses decreased to approximately 3.4% for the year ended 31 December 2015 from approximately 3.3% for the year ended 31 December 2014.

Profit before tax

As a result of the foregoing, our profit before tax increased by approximately RMB8.7 million, or 12.4 times, from approximately RMB702,000 for the year ended 31 December 2014 to approximately RMB9.4 million for the year ended 31 December 2015.

Income tax expense

Our income tax was approximately RMB1.7 million for the year ended 31 December 2015, which represented an increase of approximately RMB1.4 million, or 4.5 times, from approximately RMB313,000 for the year ended 31 December 2014. This increase was mainly attributable to the increase in profit before tax but partially offset by the decrease of effective income rate from 25% for the year ended 31 December 2014 to 15% for the year ended 31 December 2015 due to Singyes Applicable Materials was accredited by the PRC government as "high-tech enterprises".

Profit for the year

As a result of the foregoing, profit for the year increased by approximately RMB7.3 million, or 18.8 times, from approximately RMB389,000 for the year ended 31 December 2014 to approximately RMB7.7 million for the year ended 31 December 2015. The increase in our profit was mainly due to the increase in our gross profit while partially offset by the increase of selling and administrative expenses, administrative expenses and other expenses as discussed above.

CONSOLIDATED STATEMENTS OF THE FINANCIAL POSITION OF THE GROUP

The following table set out our Group's consolidated statement extracted from the accountants' report set out in Appendix I to this prospectus:

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
ASSETS AND LIABILITIES			
Non-Current assets			
Property, plant and equipment	25,367	45,471	39,889
Payments in advance	12,333	121	16
Deferred tax assets	523	611	646
Total non-current assets	38,223	46,203	40,551
Current assets			
Inventories	13,600	8,632	11,896
Trade and bills receivables	28,147	24,917	60,073
Prepayments, deposits and other receivables	5,925	2,815	6,421
Pledged bank balances	—	20	20
Cash and cash equivalents	2,662	7,166	7,523
Total current assets	50,334	43,550	85,933
Current liabilities			
Trade payables	(6,883)	(14,492)	(23,104)
Other payables and accruals	(25,504)	(14,661)	(21,948)
Interest-bearing bank loans	(4,500)	—	—
Tax payable	(235)	(1,352)	(1,801)
Provision	(656)	(764)	(1,192)
Total current liabilities	(37,778)	(31,269)	(48,045)
Net current assets	12,556	12,281	37,888
Total assets less current liabilities	50,779	58,484	78,439
Non-current liabilities			
Deferred income	—	—	(812)
Total non-current liabilities	—	—	(812)
NET ASSETS	50,779	58,484	77,627
EQUITY			
Equity attributable to owners of the Company			
Issued capital	1	1	1
Reserves	50,778	58,483	77,626
TOTAL EQUITY	50,779	58,484	77,627

DISCUSSION ON MAJOR ITEMS OF THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Inventories

Inventories of our Group comprised raw materials, work in progress and finished goods. The following table sets forth a breakdown of our inventories as of the dates indicated:

	As at 31 December			Subsequent usage of inventories balance as at 31 December 2016 up to the Latest Practicable Date
	2014	**2015**	**2016**	**Date**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	6,511	4,321	4,362	3,566
Work in progress	2,146	2,371	4,031	4,031
Finished goods	4,943	1,940	3,503	3,258
Total	13,600	8,632	11,896	10,855

The balance of our inventories decreased by approximately 36.8% from approximately RMB13.6 million as at 31 December 2014 to approximately RMB8.6 million as at 31 December 2015, primarily due to the decrease in the balance of our raw materials and finished goods as a result of an increase use of raw materials for production because of the increase in our production of ITO film and Smart Light-adjusting Film and our production of newly launched Smart Light-adjusting Projection Systems. As at the Latest Practicable Date, the subsequent usage of inventories balance as at 31 December 2016 amounted to approximately RMB10.9 million, representing approximately 91.6% of the inventories balance of approximately RMB11.9 million as at 31 December 2016.

The balance of our inventories increased by approximately 38.4% from approximately RMB8.6 million as at 31 December 2015 to approximately RMB11.9 million as at 31 December 2016, mainly attributable to the increase of finished goods in Smart Light-adjusting Products due to an increase in our customers' orders for Smart Light-adjusting Projection Systems.

The following table sets forth our inventory turnover days for the period indicated:

	Year ended 31 December		
	2014	**2015**	**2016**
	(days)	*(days)*	*(days)*
Inventory turnover days *(Note)*	111.0	110.9	66.8

Note: Inventory turnover days for the three years ended 31 December 2014, 2015 and 2016 were calculated by dividing the average of the opening and closing balances of inventories for the relevant period by our cost of sales for the same period and multiplying the quotient by 365 days.

Our inventory turnover days were stable for the years ended 2014 and 2015.

Our inventory turnover days decreased from approximately 110.9 days as at 31 December 2015 to approximately 66.8 days as at 31 December 2016, which was primarily reflected our efforts to efficiently manage our inventories over the year. As a percentage of revenue, our balance of inventory was approximately 14.3% and 13.1% as at 31 December 2015 and 2016 respectively.

Trade and bills receivables

The following table sets out the breakdown of our Group's trade and bills receivables as of the dates indicated:

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	23,576	23,729	61,605
Less: Impairment	(176)	(1,377)	(2,301)
	23,400	22,352	59,304
Bill receivables	4,747	2,565	769
Balance	28,147	24,917	60,073

Our trade and bill receivables primarily related to trade and bills receivables for goods sold to our third party customers in the ordinary course of business. Our trading terms with our third party customers were mainly on credit. We generally grant a credit term ranging from one to six months to our major customers. Trade receivables from small and new customers are normally expected to be settled shortly after the delivery of goods. No credit period is set by our Group for small and new customers.

As of 31 December 2015, our balance of trade and bill receivables was approximately RMB24.9 million, representing a decrease of approximately RMB3.2 million, or approximately 11.4%, from approximately RMB28.1 million as at 31 December 2014. The decrease was primarily attributable to a decrease of approximately RMB2.2 million in bill receivables which was due to an increase in use of endorsed bank's acceptance bills to our suppliers.

As at 31 December 2016, our balance of trade and bill receivables was approximately RMB60.1 million, representing an increase of approximately RMB35.2 million, or approximately 141.4%, from approximately RMB24.9 million as at 31 December 2015. The increase was primarily attributable to increase in sales of Smart Light-adjusting Products and Smart Light-adjusting Projection Systems driven by increased sales orders from new customers mainly comprising decoration companies and advertising companies. In particular, over 90% of the sales of our Smart Light-adjusting Projection System in 2016 were on credit. Besides, substantial amount of sales for our products of approximately RMB31.5 million in value were recognized on credit with delivery of products scheduled between October to December which led to a substantial increase in trade receivables by approximately RMB30.3 million as at 31 December 2016. Among these sales was sales of approximately RMB11.4 million from Customer J, our largest customer for the year.

The following table sets out our trade and bill receivables turnover days for the periods indicated:

	Year ended 31 December		
	2014	**2015**	**2016**
	(days)	*(days)*	*(days)*
Trade and bills receivables turnover days *(Note)*	195.7	160.1	170.7

Note: Trade and bill receivables turnover days for the years ended 31 December 2014, 2015 and 2016 were calculated by dividing the average of the opening and closing balances of trade and bills receivables for the relevant periods by our revenue for the same period and multiplying the quotient by 365 days.

During the Track Record Period, our trade and bills receivables turnover days were approximately 195.7 days, 160.1 days and 170.7 days for each of the three years ended 31 December 2016, respectively. The decrease in our trade and bills receivables turnover days for the year ended 31 December 2015 was mainly attributable to our increased use of endorsed bank's acceptance bills to our suppliers during the year. Our trade and bills receivables turnover days increased for the year ended 31 December 2016 as compared to that in the previous year, which was mainly affected by a substantial amount of recognised sales (of approximately RMB31.5 million in value) with delivery of products scheduled between October 2016 to December 2016 which had led to a substantial increase in trade receivables by approximately RMB30.3 million as at 31 December 2016. Among these sales was sales of approximately RMB11.4 million in value from Customer J, our largest customer for the year. Notwithstanding the increase in revenue for the same year, the aforesaid effect resulted in a higher trade and bills receivables turnover days for the year.

As of the Latest Practicable Date, approximately RMB36.3 million or 60.4% of the outstanding balance of our trade receivables have been successfully collected.

The following table sets out our trade and bill receivables turnover days by product type for the periods indicated:

	Year ended 31 December		
	2014	**2015**	**2016**
	(days)	*(days)*	*(days)*
Trade and bills receivables turnover days[1]:			
ITO film	265.3	285.1	322.5
Smart Light-adjusting Film	249.0	54.4	99.0
Smart Light-adjusting Glass	108.0	369.3	139.3
Smart Light-adjusting Projection System	—	28.4	178.0
Others[2]	36.5	17.4	134.5

Notes:

1. Trade and bills receivables turnover days for the years ended 31 December 2014, 2015 and 2016 were calculated by dividing the average of the opening and closing balances of trade and bills receivables for the relevant periods by our revenue for the same period and multiplying quotient by 365 days.

2. Other products include components, semi-finished goods and accessories relating to and/or used in our key products such as projectors, glass panels and power switches. The trade and bill receivables turnover days of other products is not indicative.

The relatively long trade and bills receivables turnover days of approximately 265.3 days and 285.1 days in respect of sales of ITO film for the years ended 31 December 2014 and 2015 respectively were mainly attributable to the long outstanding trade and bills receivables balances of Customer A and Customer C (in aggregate of 44.5% and 46.1% of the total trade and bills receivables of ITO film as at 31 December 2014 and 2015 respectively). The trade and bills receivables turnover days for ITO film increased to approximately 322.5 days for the year ended 31 December 2016 mainly due to a greater decrease in revenue derived from the sale of ITO film for the year, in the amount of RMB4.7 million (or 25.5%) relative to the decrease in average of the opening and closing balances of trade and bills receivables, in the amount of approximately RMB2.2 million (or 15.4%). The decrease of sales of ITO film was mainly attributable to the change of business strategy in respect of ITO film. Given (i) the continuous decrease of the average selling price of ITO film of approximately 19.1% from the year ended 31 December 2014 to the year ended 31 December 2016; and (ii) the lower gross profit margin of ITO film compared to those of downstream products (namely Smart Light-adjusting Products and Smart Light-adjusting Projection Systems), our Group shifted our resources to vertical integration of relying on our own supply of ITO film for the production of downstream products. Hence, our proportion of internal use of ITO film increased from 30.3% for the year ended 31 December 2015 to 48.9% for the year ended 31 December 2016 while our proportion of external sales of ITO film decreased from 69.7% for the year ended 31 December 2015 to 51.1% for the year ended 31 December 2016.

Our trade and bills receivables turnover days in respect of Smart Light-adjusting Film decreased from 249.0 days for the year ended 31 December 2014 to 54.4 days for the year ended 31 December 2015 mainly due to (i) the early settlement of trade and bills receivables of approximately RMB4.3 million before the end of 2015; and (ii) an increase in sales of Smart Light-adjusting Film in the year ended 31 December 2015 (an increase of approximately 158.6% compared to the year ended 31 December 2014). However, our trade and bills receivables turnover days for Smart Light-adjusting Film increased to approximately 99.0 days for the year ended 31 December 2016 mainly due to the sales in the amount of over RMB2 million to a customer in the last quarter of 2016.

Our trade and bills receivables turnover days in respect of sales of Smart Light-adjusting Glass increased from 108.0 days for the year ended 31 December 2014 to 369.3 days for the year ended 31 December 2015 mainly due to (i) the long overdue balance from Customer B (representing approximately 52.8% of total trade and bills receivables of Smart Light-adjusting Glass as at 31 December 2015); and (ii) decrease in revenue generated from the sales of Smart Light-adjusting Glass (a decrease of approximately 55.0% compared to the year ended 31 December 2014) due to our redirecting of resources for the launch of our Smart Light-adjusting Projection Systems in 2015. Our trade and bills receivables turnover days in respect of sales of Smart light-adjusting Glass decreased to 139.3 days for the year ended 31 December 2016 mainly due to (i) the obtaining of full prepayment deposit from Customer M (a new customer in 2016) (which accounted for 15.0% of the total revenues of Smart Light-adjusting Glass for the year ended 31 December 2016) rather than offering credit in respect of the amount; and (ii) an increase in revenue from the sales of Smart Light-adjusting Glass (an increase by 216.9% for the year ended 31 December 2016 compared to the year ended 31 December 2015) resulted from an increase in sales to new customers.

Our trade and bills receivable turnover days in respect of the sales of Smart Light-adjusting Projection Systems increased from approximately 28.4 days for the year ended 31 December 2015 to approximately 178.0 days for the year ended 31 December 2016, mainly due to the substantial increase of RMB21.4 million in the end balance of trade and bills receivables for the year 2016 mainly attributable to (i) over 90% of sales being recorded on credit during the year; and (ii) an increase in trade and bills receivables in the amount of approximately RMB10.0 million due to large amount of sales recognised from Customer J (which accounted for approximately 44.6% of our total trade and bills receivables in respect of the sales of Smart Light-adjusting Projection Systems as at 31 December 2016) in the last quarter of the year.

Our trade and bills receivables turnover days for others increased from 17.4 days for the year ended 31 December 2015 to 134.5 days mainly due to (i) the large amount of sales recognised from Customer J in the last quarter of the year; and (ii) the relatively small balance of trade and bills receivables as at 31 December 2015.

The following table sets out an aging analysis of our trade and bills receivables based on invoiced date as of the dates indicated:

	As at 31 December			Subsequent settlement of the balance as at 31 December 2016 for the period from 1 January 2017 up to the Latest Practicable Date
	2014	2015	2016	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	10,743	8,861	30,263	15,814
3 to 6 months	5,408	4,128	18,636	12,248
6 to 12 months	10,226	7,236	9,745	7,237
1 to 2 years	1,770	4,692	1,429	985
Total	28,147	24,917	60,073	36,284

The outstanding trade and bills receivables over one year as at 31 December 2014 were principally related to outstanding payments from Customer F, which has been subsequently fully settled.

The outstanding trade and bills receivables over one year as at 31 December 2015 and 2016 were principally related to outstanding payments from companies which purchased Smart Light-adjusting Glass from our Group and which were mainly involved in construction projects. Our Directors believe that outstanding payments over one year due by these companies as at 31 December 2015 and 2016 were mainly due to the business nature of these customers, whereby settlement of trade and bill receivables may be prolonged for over one year due to relatively long project cycles of the underlying construction projects, causing a delay in payment (while recoverable) pending completion of the projects.

Our policy for impairment loss on trade receivables is based on an evaluation of collectability and aged analysis of the receivables which requires the use of judgment and estimates. Provisions are applied to the receivables when there are events or changes in circumstances which indicate that the relevant balances may not be collectible. For outstanding trade receivable balances up to two years, provisions for bad debt will be made when assessment of the past payment history and creditworthiness of the relevant customer indicates that the prospect for recovering the relevant receivables has become doubtful, while the remaining balance represent receivables that are expected to be collected based on management's estimation. For outstanding trade receivable balances over two years, full provisions are provided. We also closely review our trade receivable balance and any other overdue balances on an ongoing basis and assessments are made by our management on the collectability of overdue balances. As at 31 December 2014 and 2015 and as at 31 December 2016, we had made provisions for impairment losses in relation to trade and bills receivables of approximately RMB176,000, RMB1.4 million and RMB2.3 million respectively.

As at the Latest Practicable Date, we had successfully collected approximately RMB36.3 million, or 60.4%, from the outstanding balance of our trade receivables as of 31 December 2016. We have successfully collected approximately 74.3% and 68.9% of the outstanding trade and bill receivables over 6 to 12 months and over 1 to 2 years respectively.

Prepayments, deposits and other receivables

Our prepayments, deposits and other receivables consist of prepayment to suppliers, deposits, an amount due from our parent company, and amounts due from related parties and others. Our prepayments, deposits and other receivables amounted to approximately RMB5.9 million, RMB2.8 million and RMB6.4 million as at 31 December 2014, 2015 and 2016 respectively. The following table sets out a breakdown of our prepayment, deposits and other receivables as of the dates indicated:

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments to suppliers	5,154	1,945	2,584
Deposits	300	300	—
Due from parent company	1	—	—
Deferred listing fees	—	—	3,084
Other receivables	470	570	753
Total	5,925	2,815	6,421

As at 31 December 2015, our prepayments, deposits and other receivables was approximately RMB2.8 million, representing a decrease of approximately RMB3.1 million, or 52.5%, from approximately RMB5.9 million as at 31 December 2014. This decrease was mainly attributable to a decrease of RMB3.2 million in the balance of prepayments to suppliers primarily due to our receipt of raw materials for which we had previously prepaid for in 2014.

As at 31 December 2016, our prepayments, deposits and other receivables were approximately RMB6.4 million, representing an increase of approximately RMB3.6 million, or 128.6%, from approximately RMB2.8 million as at 31 December 2015. This increase mainly attributable to an increase of approximately RMB3.1 million in other receivables due to deferred Listing fees (being legal and other professional fees relating to the Listing) which will be deducted from equity of our Company when our Company completes the Listing.

Pledged deposits

Our pledged bank balances relate to a performance guarantee in the amount of RMB20,000 which was provided to one of our new customers in the year ended 31 December 2015. The pledged bank balances remained at RMB20,000 as at 31 December 2016.

Trade payables

Our trade payables mainly represent amounts payable to our suppliers in respect of purchases of raw materials. We typically arrange our payment within approximately 90 days. Our trade payables increased by approximately RMB7.6 million, or approximately 110.1%, from approximately RMB6.9 million as at 31 December 2014 to approximately RMB14.5 million as at 31 December 2015. This increase in our trade payables was primarily attributable to the increased purchases of raw materials for our production lines due to an increase in sales orders for our products from 2014 to 2015.

Our trade payables increased by approximately RMB8.6 million, or 59.3%, from approximately RMB14.5 million as at 31 December 2015 to approximately RMB23.1 million as at 31 December 2016. This increase in our trade payables was primarily attributable to the purchase of raw materials such as PET film and projectors and Smart Light-adjusting Film.

The following table sets forth the balance of our trade payables turnover days for the periods indicated:

	Year ended 31 December		
	2014	**2015**	**2016**
	(days)	*(days)*	*(days)*
Trade payables turnover days *(Note)*	76.2	106.6	122.3

Note: Trade payables turnover days for the year ended 31 December 2014 and 2015 and 2016 have been calculated by dividing the average of the opening and closing balances of trade payables for the relevant period by the cost of sales for the same period and multiplying the quotient by 365 days.

Trade payables turnover days increased from approximately 76.2 days for the year ended 31 December 2014 to approximately 106.6 days for the year ended 31 December 2015. The increase mainly attributable to an increase of trade payable by approximately RMB7.6 million due to increase purchase of raw materials and we deferred our payment to our suppliers within an acceptable range which is greater than the increase of cost of sales by approximately RMB6.1 million.

Our trade payable turnover days increased from approximately 106.6 days for the year ended 31 December 2015 to approximately 122.3 days for the year ended 31 December 2016. The increase was mainly attributable to an increase of trade payable by approximately RMB12.2 million due to the purchase of projectors in November and December 2016.

The following table sets out an aging analysis of our trade payables as of the dates indicated:

	As at 31 December			Subsequent settlement of the balance as at 31 December 2016 for the period from 1 January 2017 up to the Latest Practicable Date
	2014	**2015**	**2016**	**Date**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Nil to 30 days	1,892	8,312	1,312	1,299
31 to 180 days	320	1,225	16,767	11,342
6 to 12 months	2,143	1,200	4,376	1,814
1 to 2 years	449	2,542	384	7
2 to 3 years	1,108	250	109	9
Over 3 years	971	963	156	—
Total	6,883	14,492	23,104	14,471

As at the Latest Practicable Date, approximately RMB14.5 million, or 62.6%, of our trade payables outstanding as of 31 December 2016 were paid.

Other payables and accruals

Our other payables and accruals consist of advances from customers, accrued expenses, payroll and welfare payables, tax and surcharge payables, payables related to property, plant and equipment, amounts due to related parties and others. Our other payables and accruals amounted to approximately RMB25.5 million, RMB14.7 million and RMB21.9 million as at 31 December 2014, 2015 and 2016 respectively. The following table sets out a breakdown of our other payables and accruals as of the dates indicated:

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Advances from customers	1,377	3,833	2,977
Accrued expenses	267	428	3,827
Payroll and welfare payable	1,434	1,144	1,407
Tax and surcharge payables	2,320	4,394	9,332
Payables related to property, plant and equipment	66	4,446	1,751
Due to related parties	40	336	1,987
Other payables	20,000	80	667
Total	25,504	14,661	21,948

As of 31 December 2015, our other payables and accruals amounted to approximately RMB14.7 million, representing a decrease of approximately RMB10.8 million, or 42.4%, from approximately RMB25.5 million as of 31 December 2014. The decrease was mainly attributable to a decrease of approximately RMB20.0 million in the balance of other payables which resulted from the repayment in March 2015 of a deposit made to us in respect of a framework agreement entered by Singyes Applicable Materials in December 2014 for the distribution of Smart Light-adjusting Products in Eastern and Southern China. The deposit was repaid as the transactions contemplated in the framework agreement did not proceed. The decrease in other payables was partially offset by (i) an increase in advances from customers as well as an increase in tax and surcharges payable resulting from the increase in our sales volume in 2015; and (ii) an increase in payables relating to property, plant and equipment due to the relocation of our production base in 2015.

As of 31 December 2016, our other payables and accruals amounted to approximately RMB21.9 million, representing an increase of approximately RMB7.2 million, or approximately 49.0%, from RMB14.7 million as of 31 December 2015. The increase was mainly attributable an increase in tax and surcharge payables due to increase in taxable income for the year ended 31 December 2016 and an increase in accrued expenses and payables due to related parties resulting from the increase of legal and other professional fees relating to the Listing. Our Directors confirm that all accrued expenses and payables due to related parties will be settled in full before Listing.

Property, plant and equipment

The property, plant and equipment of our Group mainly consists of machine, plant and motor vehicles. As at 31 December 2014, 2015 and 2016, the carrying value of our property, plant and equipment was approximately RMB25.4 million, RMB45.5 million and RMB39.9 million respectively. Our property, plant and equipment increased by approximately RMB20.1 million, or 79.1%, from approximately RMB25.4 million as at 31 December 2014 to RMB45.5 million as at 31 December 2015 mainly attributable to the addition of plant and machinery as a result of the relocation of our production base in 2015. As of 31 December 2016, our property, plant and equipment was approximately RMB39.9 million, representing a decrease of approximately 5.6 million, or 12.3%, from approximately RMB45.5 million mainly because of the depreciation provided in 2016.

Payments in advance

As at 31 December 2014, 2015 and 2016, we recorded payments in advance amount of approximately RMB12.3 million, RMB121,000 and RMB16,000 respectively. The balances as at 31 December 2015 and 2016 were mainly attributable to the purchase of machinery for expanding the production capacity of ITO film and improving production processes of our products.

Deferred tax assets

As at 31 December 2014, 2015 and 2016, we recorded deferred tax assets amount of approximately RMB523,000, RMB611,000 and RMB646,000 respectively.

LIQUIDITY AND CAPITAL RESOURCES

Our primary use of cash is to satisfy our working capital and capital expenditure needs. During the Track Record Period, our Group's use of cash have mainly been financed through a combination of cash received from the sales of our products, bank borrowing and financial support from our Group's related parties. As at 31 December 2016, our Group had cash and cash equivalents of approximately RMB7.5 million and did not have any bank borrowing.

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 Share Offer. 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.

Cash flow

The following table sets forth a summary of net cash flows as of and for the periods indicated:

	Year ended 31 December		
	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*
Net cash flows from/(used in) operating activities	9,718	20,232	(12,750)
Net cash flows from/(used in) investing activities	(5,368)	(11,212)	(1,306)
Net cash flows from/(used in) financing activities	(2,592)	(4,525)	14,547
Net increase in cash and cash equivalents	1,758	4,495	491
Cash and cash equivalents at the beginning of the year/period	904	2,662	7,166
Effect of foreign exchange rate changes, net	—	9	(134)
Cash and cash equivalents at the end of the year	2,662	7,166	7,523

Operating activities

Our operating cash inflows are derived principally from the receipt of payments from the sale of our products. Our operating cash outflows are principally used for the purchase of raw materials from our suppliers.

Net cash flows used in operating activities amounted to RMB12.8 million for the year ended 31 December 2016, consisting primarily of RMB14.9 million of cash generated from operations before working capital adjustments and net working capital adjustments of RMB25.6 million. Our negative net working capital adjustments were primarily attributable to (i) an increase in trade and bills receivables resulted from substantial amount of sales which were recorded on credit over the period between October and December of 2016 in the amount of approximately RMB30.3 million; and (ii) the deferred listing fees of approximately RMB3.1 million, which was partially offset by (i) an increase in trade payables which resulted from the purchase of raw materials in the amount of approximately RMB8.6 million; and (ii) an increase in other payables and accruals mainly due to increased tax and surcharges payables.

Net cash flows from operating activities amounted to RMB20.2 million for the years ended 31 December 2015 consisting primarily of RMB15.0 million of cash generated from operations before working capital adjustments and net working capital adjustments of RMB6.0 million. Our net working capital adjustments primarily consisted of a RMB5.0 million decrease in inventories, a RMB2.0 million decrease in trade and bills receivables, a RMB3.1 million decrease in prepayments, deposits and other receivables, a RMB7.6 million decrease in trade payables, a RMB11.9 million decrease in other payables and accruals, and the income tax paid about RMB0.7 million.

Net cash flows from operating activities amounted to RMB9.7 million for the years ended 31 December 2014 consisting primarily of RMB5.3 million of cash generated from operations before working capital adjustments and net working capital adjustments of RMB4.4 million. Our net working capital adjustments primarily consisted of a RMB8.6 million increase in inventories, a RMB8.4 million increase in trade and bills receivables, a RMB2.9 million increase in prepayments, deposits and other receivables, a RMB1.0 million increase in trade payables, a RMB23.2 million increase in other payables and accruals, and the income tax paid about RMB0.2 million.

Investing activities

Our cash outflow from investing activities primarily consists of payments for the purchase of property, plant and equipment. Our cash inflow from investing activities primarily consists of receipt of government grants related to assets.

For the year ended 31 December 2016, our net cash used in investing activities was approximately RMB1.3 million. The net cash flows used in investing activities was mainly derived from (i) proceeds from the disposal of items of property, plant and equipment in the amount of approximately RMB970,000, (ii) receipt of government grants related to assets in the amount of approximately RMB888,000; (iii) and purchase of items of property plant and equipment in the amount of approximately RMB3.2 million.

For the year ended 31 December 2015, we had net cash used in investing activities of approximately RMB11.2 million. The net cash used in investing activities was mainly attributable to purchases of items of property, plant and equipment of approximately RMB11.2 million.

For the year ended 31 December 2014, our net cash used in investing activities was approximately RMB5.4 million. The net cash used in investing activities was mainly attributable to (i) purchases of items of property, plant and equipment of approximately RMB13.8 million; and (ii) a decrease in amounts due from related parties of approximately RMB8.5 million.

Financing activities

Our cash inflow from financing activities primarily consists of proceeds from the issue of shares and borrowings from related parties. Our cash outflow from financing activities primarily consists of repayments of loans and payments and prepayments, deposits and other receivables.

For the year ended 31 December 2016, our net cash from financing activities was approximately RMB14.5 million. The net cash flow from financing activities was mainly attributable to (i) proceeds from the issue of shares of approximately RMB12.9 million; and (ii) increase in amounts due to related parties of approximately RMB1.7 million.

For the year ended 31 December 2015, our net cash used in financing activities of approximately RMB4.5 million was attributable to the repayment of bank loans in the amount of approximately RMB4.5 million.

For the year ended 31 December 2014, our net cash used in financing activities was approximately RMB2.6 million. The net cash used in financing activities was mainly attributable to (i) a capital contribution from our then parent company in the amount of approximately RMB30.0 million; and (ii) an increase of bank loans in the amount of approximately RMB4.5 million; which were partially offset by decrease in amount due to related parties in the amount of approximately RMB37.0 million.

NET ASSETS

As at 31 December 2016, our Group had net assets of approximately RMB77.6 million, comprising non-current assets of approximately RMB40.6 million and net current assets of approximately RMB37.9 million and non-current liabilities of approximately RMB812,000.

CURRENT ASSETS/(LIABILITIES)

The following table sets out our current assets and liabilities as at the dates indicated:

	As at 31 December			As at 30 April
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited) *(Note)*
Current assets				
Inventories	13,600	8,632	11,896	14,403
Trade and bills receivables	28,147	24,917	60,073	46,557
Prepayments, deposits and other receivables	5,925	2,815	6,421	8,946
Pledged deposits	—	20	20	20
Cash and cash equivalents	2,662	7,166	7,523	11,364
Total current assets	50,334	43,550	85,933	81,290
Current liabilities				
Trade payables	6,883	14,492	23,104	18,601
Other payables and accruals	25,504	14,661	21,948	20,581
Interest-bearing bank loans	4,500	—	—	—
Tax payable	235	1,352	1,801	851
Provision	656	764	1,192	1,192
Total current liabilities	37,778	31,269	48,045	41,225
Net current assets	12,556	12,281	37,888	40,065

Note: As per management accounts.

Our net current assets (being the difference between total current assets and total current liabilities), remained positive during the Track Record Period and up to 30 April 2017 being the latest practicable date for ascertaining the financial information of our Group.

Our Group recorded an increase in net current assets from 31 December 2015 to 31 December 2016 primarily due to (i) an increase in trade and bills receivables due to increase in sales of our products; (ii) an increase in prepayments, deposits and other receivables due to deferred Listing expenses fees (namely legal and other professional fees relating to the Listing) which will be deducted from equity of our Company when our Company completes the Listing; (iii) an increase in cash and cash equivalent due to increase in sales of our products; (iv) an increase in trade payables due to the increase in sales of our products; which was partially offset by an increase in other payables and accruals due to accrued expenses for legal and other professional fee relating to Listing and payables due to related parties.

The decrease in net current assets from 31 December 2014 to 31 December 2015 was primarily due to (i) a decrease in inventories due to decrease in the balance of our raw materials and finished goods as a result of an increase in our sales; (ii) a decrease in trade and bills receivables due to the increase use of endorsed bank's acceptance bills to our suppliers; (iii) a decrease in prepayments, deposits and other receivables due to a decrease in the balance of prepayment to suppliers; (iv) an increase in trade payables due to an increase in the purchase of raw materials; and (v) an increase in tax payable.

INDEBTEDNESS

Borrowings

The table below set out the amount of our bank borrowings as of the dates indicated:

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Bank borrowing	4,500[1]	—	—
Total	4,500	—	—

Note:

1. The balances as at 31 December 2014 represent secured one-year bank loans granted by China Merchant Bank to our Group for operating purposes, which were guaranteed by a company controlled by Singyes Solar, Mr. Liu and Mr. Sun.

Our loans decreased from RMB4.5 million as at 31 December 2014 to nil as at 31 December 2015. The decrease was due to our repayment of the bank loans. As at 30 April 2017, our Group did not have any outstanding bank borrowings or unutilised facilities or indebtedness including bank overdrafts, loans or debentures, loan capital, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees outstanding.

Our Directors confirmed that our Group has not had any material delay or default in payment with regards to any borrowings during the Track Record Period and up to the 30 April 2017.

Contingent liabilities

As at 31 December 2015, our Company and Singyes HK provided guarantees to banks in connection with loans granted to Singyes Solar aggregating to US$110 million. Such guarantees were released subsequently in 2016.

As at 31 December 2016, when status remained unchanged as at 30 April 2017, neither our Group nor our Company had significant contingent liabilities.

Operating Lease Arrangements

We leased certain office premises and our factory under operating lease arrangements with lease terms of one to three years. The table below sets forth the outstanding commitments under these non-cancellable lease arrangements as of the dates indicated:

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	107	1,033	1,122
In the second to third years, inclusive	—	1,808	775
Total	107	2,841	1,897

Save as previously disclosed, and apart from intra-group liabilities and normal trade payables, we did not have any outstanding borrowings and indebtedness such as loan capital issued, bank overdrafts, loans or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, debentures, mortgages, charges, guarantees or other material contingent liabilities as at the close of business as at the Latest Practicable Date.

Material indebtedness change

Our Directors confirm that there was no material adverse change in our Group's indebtedness and contingent liabilities since 30 April 2017.

CAPITAL COMMITMENT

The following table sets forth the breakdown of our capital commitments as of the dates indicated:

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Contracted, but not provided for:			
Plant and machinery	8,011	—	10
Total	8,011	—	10

The capital commitments were primarily related to our purchase of new production machinery.

CAPITAL EXPENDITURES

Our capital expenditures over the Track Record Period principally related to the purchase and construction of fixed assets. The following table sets forth our capital expenditure of the periods indicated:

	For the year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Purchase of items of property, plant and equipment	649	2,676	2
Construction in progress	1,013	21,528	976
Total capital expenditure	1,662	24,204	978

Our capital expenditure for the years ended 31 December 2014 and 2015 amounted to approximately RMB1.7 million and RMB24.2 million respectively, comprising mainly expenditures for the lease of property, purchase of production machinery (such as the vacuum roll-to-roll ITO sputtering machine) and renovation of our factory and purchase of motor vehicle. For the year ended 31 December 2016, our capital expenditure amounted to approximately RMB1.0 million and mainly arose from expenditures for purchase of production machinery.

Planned capital expenditure

Our planned expenditure in the coming years will include the purchase of machinery and equipment to enhance and fully automate our existing production line as well as for the establishment of new production lines as disclosed in the section headed "Future plans and use of proceeds" in this prospectus. Our Directors expect that the planned capital expenditure will be funded by net proceeds from the Share Offer and internal resources.

Our capital expenditure for the years ending 31 December 2017 and 2018 is expected to amount to approximately RMB9.8 million and RMB18.0 million respectively.

Save as disclosed and any additional expenditures relating to property, plant and equipment, (such as leasehold improvements, furniture and equipment, plants and machinery and motor vehicles necessary for our business operations made by our Group from time to time), our Group had no material planned capital expenditures as at the Latest Practicable Date.

PROPERTY INTERESTS

During the Track Record Period and up to the Latest Practicable Date, our Group did not own any real properties.

RELATED PARTY TRANSACTIONS

With respect to related party transactions set out in this prospectus, our Directors are of the opinion that they were conducted on normal commercial terms. For an analysis of related party transactions, please refer to Note 27 to the accountants' report set out in Appendix I to this prospectus.

DIVIDEND

Subject to the Companies Act and the Bye-laws, through a general meeting, our Company may declare dividends in any currency but no dividends shall exceed the amount recommended by our Board.

Our Group did not declare or pay any dividends during the Track Record Period. As such, there is no reference or basis to determine the level of dividends that may be declared and paid to our Shareholders after Listing.

Pursuant to the Bye-laws, the Board may from time to time pay to the Shareholders such interim dividends as appear to the Board to be justified by the profits of our Company. The Board may also pay dividend half-yearly or at other suitable intervals to be settled by it any interim dividend which may be payable at a fixed rate if our Board is of the opinion that the profits of our Company justify the payment. Cash dividends on the Shares, if any, will be paid in Hong Kong dollars. Our Company does not have any pre-determined dividend policy or dividend distribution ratio.

The Bye-laws provide that unless and to the extent that the rights attached to any Shares or the terms of issue thereof otherwise provide, all dividends shall be apportioned and paid pro rata according to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share. The Board may deduct from any dividend or other monies payable to any Shareholder all sums of money (if any) presently payable by him to our Company on account of calls or otherwise.

The payment and the amount of any dividends will be at the discretion of our Directors and will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Companies Act. The declaration and payment of dividends may also be limited by financing arrangements that we or our subsidiaries enter into. Any restrictions on our subsidiaries' ability to pay dividends or distributions may limit our ability to pay dividends to our shareholders.

There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year. Investors should note the historical dividend distributions are not indicative of our Group's future dividend distribution policy.

OFF-BALANCE SHEET TRANSACTIONS

As at the Latest Practicable Date, we did not have any material off-balance sheet arrangements or contingencies except as disclosed under the paragraphs headed "Contingent liabilities" in this section.

SENSITIVITY AND BREAKDOWN ANALYSIS

Sensitivity analysis

During the Track Record Period, the cost of raw materials was a major component of our cost of sales, representing approximately 84.3%, 84.6% and 84.8% of our total cost of sales. Our largest operating cost components also included selling and distribution expenses and administrative expenses (excluding non-recurring Listing expenses). These two largest operating cost components accounted for approximately 26.7%, 22.2% and 18.0% of our total revenue for the respectively periods. Any material fluctuation in the aforementioned major operating costs may affect the results of our operations.

For illustrative purpose only, the following tables illustrate the sensitivity analysis of hypothetical fluctuations in our major operating costs of our operations and average selling price of our products on profit before tax and profit for the year during the Track Record Period. The sensitivity analysis demonstrates the impact of hypothetical increase or decrease in: i) the cost of raw materials by 5% and 10% for the period indicated, which correspond to the approximate CAGR in the price of ITO Target, float glass, PET film, PVB film, liquid crystal and ultra-short focal laser projector, from 2010 to 2015 as shown in the F&S Report; ii) selling and distribution expenses and administrative expenses by 5% and 10% for the period indicated, which are determined by reference to their historical changes during the Track Record Period; and iii) the average selling price of our products, where fluctuations are assumed to be 15% for ITO Film, 30% for Smart Light-adjusting Film, 20% for Smart Light-adjusting Glass and 35% for Smart Light-adjusting Projection System during the Track Record Period, which correspond to the range of historical fluctuations of our average selling price in the same period. Other variables are assumed to remain constant.

		For the year ended 31 December					
		2014		2015		2016	
	Hypothetical increase/ (decrease) in percentage	(Decrease)/ increase in profit before income tax	(Decrease)/ increase in profit/ loss for the year *(note)*	(Decrease)/ increase in profit before income tax	(Decrease)/ increase in profit/ loss for the year *(note)*	(Decrease)/ increase in profit before income tax	(Decrease)/ increase in profit/ loss for the year *(note)*
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost of raw materials	10%	(2,572)	(1,929)	(3,093)	(2,629)	(4,753)	(4,040)
	5%	(1,286)	(965)	(1,547)	(1,315)	(2,377)	(2,020)
	(5)%	1,286	965	1,547	1,315	2,377	2,020
	(10)%	2,572	1,929	3,093	2,629	4,753	4,040

		For the year ended 31 December					
		2014		2015		2016	
	Hypothetical increase/ (decrease) in percentage	(Decrease)/ increase in profit before income tax	(Decrease)/ increase in profit/ loss for the year *(note)*	(Decrease)/ increase in profit before income tax	(Decrease)/ increase in profit/ loss for the year *(note)*	(Decrease)/ increase in profit before income tax	(Decrease)/ increase in profit/ loss for the year *(note)*
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Selling and distribution expenses	10%	(521)	(391)	(563)	(479)	(811)	(689)
	5%	(261)	(196)	(282)	(240)	(405)	(345)
	(5)%	261	196	282	240	405	345
	(10)%	521	391	563	479	811	689
Administrative expenses (excluding non-recurring Listing expenses)	10%	(676)	(507)	(777)	(660)	(824)	(700)
	5%	(338)	(254)	(389)	(331)	(412)	(350)
	(5)%	338	254	389	331	412	350
	(10)%	676	507	777	660	824	700
Average selling price							
ITO Film	15%	2,724	2,043	2,753	2,340	2,059	1,750
	(15)%	(2,724)	(2,043)	(2,753)	(2,340)	(2,059)	(1,750)
Smart Light-adjusting Film	30%	2,160	1,620	5,586	4,748	5,665	4,815
	(30)%	(2,160)	(1,620)	(5,586)	(4,748)	(5,665	(4,815)
Smart Light-adjusting Glass	20%	3,713	2,785	1,672	1,421	5,298	4,504
	(20)%	(3,713)	(2,785)	(1,672)	(1,421)	(5,298)	(4,504)
Smart Light-adjusting Projection System	20%	—	—	2,724	2,316	4,758	4,044
	(20)%	—	—	(2,724)	(2,136)	(4,758)	(4,044)

Note: During the year ended 31 December 2014, the applicable corporate income tax ("CIT") rate for Singyes Applicable Materials was 25%. During the years ended 31 December 2015 and 2016, Singyes Applicable Materials was entitled to a preferential PRC CIT rate of 15% as it was accredited as "High and New Technology Enterprise" ("HNTE") from 1 January 2015 to 31 December 2017.

Breakeven analysis

Our Directors consider that the breakeven point to be the level of revenues that our Group would need to generate such that our profit before deducting income tax expenses could cover all our costs (“break-even”).

The following table sets out a breakeven analysis which illustrates the extent of the increase/decrease in the cost of raw materials or selling and distribution expenses or administrative expenses or average selling price for each of our products that would result in a break-even in the relevant periods shown below (excluding the expenses for non-recurring Listing expenses):

	For the year ended 31 December		
	2014	**2015**	**2016** *(Note)*
Increase in cost of raw materials	2.7%	30.4%	39.0%
Increase in selling and distribution expenses	13.5%	167.0%	228.5%
Increase in administrative expenses	10.4%	121.1%	224.9%
Decrease in average selling price:			
ITO Film	3.9%	51.3%	134.9%
Smart Light-adjusting Film	9.7%	50.5%	98.1%
Smart Light-adjusting Glass	3.8%	112.5%	69.9%
Smart Light-adjusting Projection System	—	69.1%	77.9%

Note: The non-recurring Listing expenses incurred during the year ended 31 December 2016 amounted to approximately RMB9.7 million.

MARKET RISKS

We are exposed to various types of market risks from its use of financial instruments, including interest rate risk, foreign currency risk, credit risk and liquidity risk.

Interest rate risk

We do not have any significant exposure to the risk of changes in market interest rates as we do not have any significant long term receivables and loans which are subject to floating interest rate. As such we currently do not adopt any interest rate hedging policy.

Foreign currency risk

Our principle businesses are located in the PRC and most of the transactions are conducted in RMB. Most of our assets and liabilities are denominated in RMB, except for those of the overseas subsidiary in Hong Kong whose functional currency is HK$ and certain items of cash and cash equivalents that are denominated in HK$ and US$.

We do not consider that we are significantly exposed to the risk of fluctuation in the exchange rates between HK$, US$ and RMB as a reasonable possible change of 5% in RMB against US$ and HK$ would have no significant financial impact to our profit.

Credit risk

The carrying amounts of cash and cash equivalents, pledged deposits, trade and bills receivables, and other financial assets represent our maximum exposure to credit risk in relation to financial assets. Substantially all of our cash and cash equivalents are held in major financial institutions located in Mainland China, which our management believes are of high credit quality.

We trade only with recognised and creditworthy third parties. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and our exposure to bad debts is not significant.

In terms of concentration of credit risks, as at 31 December 2014, 2015 and 2016 respectively, the amount of trade receivables (i) due from our largest customer represented 21.5%, 19.9% and 21.6% of our total trade receivables; and (ii) due from our five largest customers represented 61.8%, 59.9% and 55.7% of our total trade receivables. All of these customers had good credit quality with reference to their credit history and our long-term business relationship with them. We have delegated a team responsible for determining credit limits and monitoring procedures to ensure that follow-up actions will be taken to recover overdue debts.

Liquidity risk

We monitor our risk relating to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade and bills receivables) and projected cash flows from operations.

Our liquidity is primarily dependent on our ability to maintain a balance between continuity of funding and flexibility through the settlements from customers and the payments to vendors.

In our business operations, there are often time lags between making payments to our suppliers and receiving payments from our customers, resulting in cash flow mismatch. For example, we have to incur payment obligation by ordering raw materials from our suppliers before we utilise the raw materials for our production of ITO film, Smart Light-adjusting Products and Smart Light-adjusting Projection System for sale to our customers. The extent of such cash flow mismatch is illustrated by the differences between our trade payables turnover days and our trade and bills receivables turnover days. For the three years ended 31 December 2014, 2015 and 2016, our trade payables turnover days were approximately 76.2 days, 106.6 days and 122.3 days respectively and our trade and bills receivables turnover days were approximately 195.7 days, 160.1 days and 170.7 days, respectively, which are further discussed in the sections headed ''Financial information — Trade payables'' and ''Financial information — Selected items of the consolidated statements of financial position — Trade and bills receivables'', respectively, in this prospectus.

In order to manage our cash flow mismatch, we have adopted the following measures:

(i) our finance department is responsible for the monitoring our cash flows and cash balance on a regular basis, while supporting a healthy level of business and our various growth strategies. Management of our Group further monitors the cash flow position of our Group by reference to cash flow statements, cash flow forecasts, management accounts and other management reports on an ongoing basis. During the Track Record Period, our cash and cash equivalents as of 31 December 2014, 2015 and 2016 were approximately RMB2.7 million, RMB7.2 million and RMB7.5 million, respectively, while our total trade and bills receivables were approximately RMB28.1 million, RMB24.9 million and RMB60.1 million, respectively, and our total trade payables were approximately RMB6.9 million, RMB14.5 million and RMB23.1 million, respectively;

(ii) while we extend credit periods of varying lengths to our customers, we actively monitor the payment status of our customers (including conducting regular reviews of our accounts) and have in place systems and procedures for collecting receivables. Our Group prepares accounts receivable aging analyses on a monthly basis. Management regularly reviews the accounts receivable aging analyses to ascertain if there are any long outstanding receivables. Our Group will assign designated salespersons to regularly contact the debtors and request for their settlement of the long outstanding receivables, if and when necessary. For debtors with long outstanding receivables, our Group may request for their settlement of the long overdue debts before acceptance of new orders from them; and

(iii) we also maintain an inventory of raw materials for ITO films and Smart Light-adjusting Products based on customer demand, but we generally keep raw material inventory at levels that we believe are sufficient for two to three months of production. Our production department is responsible for making decisions on the procurement of raw materials based on internal production management plans. Currently, our deputy general manager, who has more than 15 years of relevant experience, is in charge of our production department.

Our Directors believe that by implementing the aforesaid measures, our Group would be able to ensure effective use of cash and avoid unnecessary lock-up of our working capital resources and cash flow mismatches.

The maturity profile of the our financial liabilities during the Track Record Period, based on the contractual undiscounted payments, is as follows:

	On demand	Less than 3 months	3 to less than 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2014				
Trade payables	4,970	1,913	—	6,883
Interest-bearing bank loans	—	—	4,705	4,705
Other payables and accruals	20,333	—	—	20,033
Due to related parties	40	—	—	40
	25,343	1,913	4,705	31,961

	On demand	Less than 3 months	3 to less than 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2015				
Trade payables	13,287	1,205	—	14,492
Other payables and accruals	3,925	—	1,029	4,954
Due to related parties	336	—	—	336
	17,548	1,205	1,029	19,782

	On demand	Less than 3 months	3 to less than 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2016				
Trade payables	18,132	4,972	—	23,104
Other payables and accruals	5,543	—	1,099	6,642
Due to related parties	1,987	—	—	1,987
	25,662	4,972	1,099	31,733

KEY FINANCIAL RATIOS

The following table sets forth our Group's key financial ratios as at the dates indicated:

	For the year ended 31 December		
	2014	2015	2016
Gross profit margin (%) [1]	31.9	39.5	38.3
Net profit margin (%) [2]	0.9	12.7	17.7 [9]
Return on equity (%) [3]	0.8	13.2	20.7 [10]
Return on total assets (%) [4]	0.4	8.6	12.7 [10]
Interest coverage [5]	7.6	46.9	N/A

	As at 31 December		
	2014	2015	2016
Current ratio [6]	1.3	1.4	1.8
Quick ratio [7]	1.0	1.1	1.5
Gearing ratio (%) [8]	67.9	39.9	50.6

Notes:

1. Gross profit margin is based on gross profit divided by total revenue for the respective year and multiplied by 100%.

2. Net profit margin is calculated based on net profit after tax for the year divided by total revenue for the respective year and multiplied by 100%.

3. Return on equity is calculated based on our net profit for the respective year divided by the total equity of the same year, multiplied by 100%.

4. Return on total assets is calculated based on our net profit for the respective year divided by the total assets of the same year, multiplied by 100%.

5. Interest coverage is calculated based on our profits before interest and income taxes for the respective year divided by our finance cost for the same year. We did not incur any financing cost for the year ended 31 December 2016.

6. Current ratio is calculated based on our current assets at the end of the year/period divided by our total current liabilities at the end of the respective year.

7. Quick ratio is calculated based on the differences between our total current assets and inventory divided by our total current liabilities on the same dates.

8. Gearing ratio is calculated based on net debt at the end of the respective year divided by total equity, multiplied by 100%. Net debt comprises trade payables, interest-bearing bank loans, other payables and accruals, and tax payable, less cash and cash equivalents and pledged deposits.

9. Our net profit would be approximately RMB16.1 million for the year ended 31 December 2016 by excluding the non-recurring Listing expenses of approximately RMB9.7 million attributable to that period.

10. Our net profit for the year ended 31 December 2016 excluding the non-recurring Listing expenses of RMB9.7 million.

Please refer to subsection headed "Principal components of results of operations — Gross profit and gross profit margin" above for a discussion of factors affecting gross profit margin during the respective periods.

Net profit margin

Our net profit margin was 0.9% and 12.7% for the years ended 31 December 2014 and 2015 respectively. The increase in our net profit margin was primarily due to the relatively high gross profit margin of our newly launched Smart Light-adjusting Projection System which were in line with the increases in our gross profit margin during the Track Record Period.

Our net profit margin was 12.7% and 17.7% for the years ended 31 December 2015 and 2016 respectively. The increase in our net profit margin was primarily due to the increase of gross profit margin of Smart Light-adjusting Film and Smart Light-adjusting Glass.

Return on equity

Our return on equity was 0.8%, 13.2% and 20.7% for the years ended 31 December 2014, 2015 and 2016 respectively. The increase in our return on equity primarily reflected the increase in our net profit.

Return on total assets

Our return on assets was approximately 0.4%, 8.6% and 12.7% for the years ended 31 December 2014, 2015 and 2016 respectively. The increase in our return on assets primarily reflected the increase in our net profit.

Interest coverage ratio

Our interest coverage ratio was 7.6 times and 46.9 times for the years ended 31 December 2014 and 2015 respectively. The increases were mainly due to our increase in profit before interest and tax outpacing the increases in interest payable over those periods.

For the year ended 31 December 2016, we did not incur any interest expense.

Current ratio

Our current ratio was 1.3, 1.4 and 1.8 as at 31 December 2014, 2015 and 2016 respectively. The increase in our current ratio from 1.3 as at 31 December 2014 to 1.4 as at 31 December 2015 was mainly due to our decrease in current liabilities outpacing the decrease in our current assets during 2015. Our current ratio further increased to 1.8 as at 31 December 2016, mainly because of the increase in the current assets. See "Financial Information — Net Current Assets" in this section for further details of changes in our current assets and current liabilities over the Track Record Period.

Quick ratio

Our quick ratio was 1.0, 1.1 and 1.5 as at 31 December 2014, 2015 and 2016 respectively. The increase in quick ratio during the Track Record Period primarily reflected our efforts to efficiently manage and reduce our inventories over the year. As a percentage of revenue, our balance of inventory was approximately 30.4%, 14.3% and 13.1% as at 31 December 2014, 2015 and 2016 respectively. See "Financial Information — Net Current Assets" in this section for further details of changes in our current assets and current liabilities over the Track Record Period.

Gearing ratio

Our gearing ratio was 67.9%, 39.9% and 50.6% as at 31 December 2014, 2015 and 2016 respectively. The decrease in gearing ratio from 67.9% as at 31 December 2014 to 39.9% as at 31 December 2015 was mainly due to our decrease in interest-bearing bank loans and trade payables. The increase in gearing ratio from 39.9% as at 31 December 2015 to 50.6% as at 31 December 2016 was due to an increase in the amount of trade payables and other payables and accruals.

LISTING EXPENSES

Our expenses in relation to the Listing (including underwriting commission) are expected to amount to approximately RMB23.1 million (equivalent to approximately HK$26.5 million) (based on Offer Price of HK$1.0 per Offer Share and assuming that the Offer Size Adjustment Option will not be exercised), of which (i) approximately RMB8.1 million (equivalent to approximately HK$9.3 million) is directly attributable to the issue of the Offer Shares under the Share Offer and are expected to be accounted for as a reduction from equity; and (ii) the remaining amount of approximately RMB15.0 million (equivalent to approximately HK$17.2 million) has been or will be charged to and reflected in the consolidated statements of profit or loss and other comprehensive income, of which (a) approximately RMB9.7 million (equivalent to approximately HK$11.1 million) was charged for the year ended 31 December 2016; and (ii) the remainder of approximately RMB5.3 million (equivalent to approximately HK$6.1 million) is expected to be recognised in the period subsequent to the Track Record Period. The impact of the Listing expenses on the profit and loss accounts has affected our financial performance and conditions and results of operation for the year ended 31 December 2016.

Our Directors would like to emphasise that the Listing expenses stated above are current estimates for reference purpose only and the actual amount that may be recognised is subject to adjustments based on audit and the then changes in variables and assumptions. Nonetheless, we expect that these non-recurring Listing expenses will materially affect our Group's financial performance and condition and results of operations for the year ending 31 December 2017.

Expenses in relation to the Listing are non-recurring in nature. Prospective investors should note that the financial performance of our Group for the year ending 31 December 2017 is expected to be adversely affected by the estimated non-recurring Listing expenses mentioned above.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

For the unaudited pro forma adjusted consolidated net tangible assets of our Group prepared in accordance with paragraph 7.31 of the GEM Listing Rules for illustrating the effect of the Share Offer as if it had taken place on 31 December 2016, please refer to Appendix II to this prospectus.

DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

Our Directors confirmed that as at the Latest Practicable Date, they were no circumstances which would give rise to any disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

WORKING CAPITAL

Taking into account the financial resources available to our Group, including the internally generated funds and the estimated net proceeds of the Share Offer, our Directors are satisfied, after due and careful inquiry, that our Group will have sufficient available working capital for its present requirements, for at least the next 12 months from the Latest Practicable Date.

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that our Group (i) has not encountered any difficulty in obtaining external borrowings; (ii) has not been recalled or requested for early repayment of borrowings; (iii) has not had any default in repayment of trade and non-trade payables and bank borrowings, and/or breaches of other covenants under its borrowings; and (iv) has not breached of any finance covenants.

MATERIAL ADVERSE CHANGE

Our Directors confirmed that, up to the date of this prospectus, there had been no material adverse change in the financial or trading position of our Group since 31 December 2016 (being the date the latest audited consolidated financial statements of our Group were made up), and there had been no event since 31 December 2016 which would materially affect the information shown in the accountants' report set out in Appendix I to this prospectus.

DISTRIBUTABLE RESERVES

Our Company has no reserves available for distributable to the Shareholders as at 31 December 2016.

BUSINESS OBJECTIVES AND STRATEGIES

Our business objectives is to further enhance our production efficiency and product quality, maintain and/or consolidate our market position as well as improve our brand reputation in the markets in which we operate through (i) the enhancement of our product quality and broadening of our product range and applications through research and development; (ii) improving our production efficiency through enhancement projects; and (iii) expanding our presence in overseas market through market participation and cooperation with overseas agencies. Please refer to section headed “Business — Our business strategies” for details of our strategies.

IMPLEMENTATION PLAN

Our Directors have drawn up an implementation plan for the period up to 31 December 2019 with a view to achieving our business objectives. The detailed implementation plan and expected timetable for the implementation of the plan in relation to items requiring us to make material financial commitments are summarised below.

Investors should note that the following implementation plans are formulated on the bases and assumptions referred to in the paragraph headed “Bases and key assumptions” below. These bases and assumptions are inherently subject to uncertainties and unpredictable factors, in particular the risk factors set forth in the section headed “Risk factors” in this prospectus. Our actual course of business may vary from the business objective set out in this prospectus. There is no assurance that our plans will materialise in accordance with our expected time frame or that our objective will be accomplished. Whilst the actual course of events may invariably encounter unforeseeable changes and fluctuations, we shall use our best endeavours to anticipate changes, yet allowing for flexibility to implement the following plans.

From the Latest Practicable Date to 31 December 2017

Business strategy	Use of proceeds	Implementation plan
Overseas business expansion	HK$0.5 million	— conduct further research regarding market trends and customer preferences and collect market intelligence relating to target overseas markets
	HK$0.6 million	— negotiations and engagements of sales agents in identified target markets including the United States, France and India

Business strategy	Use of proceeds	Implementation plan
Research and development of new materials and products	HK$0.8 million	— continue research, development and testing of anti-reflective flexible film for mass production (expected in second half of 2017)
	HK$0.5 million	— continue research, development and testing of safer switches for Smart Light-adjusting Products (expected in second half of 2017)
Purchase of machinery and equipment for production of anti-ambient screen	HK$6.8 million	— identification of target machinery and equipment (including film laminating machine, slitting machine, laser cutter, numerically controlled multi-axle machine) with considerations as to design, functionality, performance and configurations (expected in the month of July 2017)
		— devise and evaluate acquisition plan including quotation assessment and budget planning (expected in the month of July 2017)
		— identify suppliers of machinery and equipment, negotiate terms and conditions of supply, enter into supply agreement and devise plan for implementation and installation of machinery and equipment (expected over the months of August 2017 to September 2017)
		— receipt, installation and testing trial-run of acquired machinery and equipment (expected over the months from October 2017 to December 2017)
		— full implementation and use of production line (expected in January 2018)

Business strategy	Use of proceeds	Implementation plan
Enhancement to wide ITO film	HK$4.3 million	— enter into discussion with overseas supplier(s) to devise plan, and enter into agreement, for the enhancement of ITO sputtering machine (including installation of cooling system, off-track avoidance device, online monitoring system and static electricity removing device) to improve the efficiency, and reduce wastage of raw materials, over the sputtering process as well as to improve quality of resulting ITO film (expected over the months of June 2017 and July 2017)
		— production, importation, installation and trial-run testing of enhanced ITO sputtering machine (expected over the months from August 2017 to November 2017)
		— full implementation and use of enhanced ITO sputtering machine (expected in December 2017)
Working capital	HK$2.9 million	— general working capital
Total	**HK$16.4 million**	

For the six months ending 30 June 2018

Business strategy	Use of proceeds	Implementation plan
Overseas business expansion	HK$0.9 million	— develop relationships and negotiate supply terms with corporate entities (including distributors, suppliers, retailers and agencies) in identified target markets including Israel, Canada and Japan
		— provision of product samples, arrange physical visits and receptions
	HK$0.5 million	— promotions and marketing to increase our brand exposure through global online trading platforms
	HK$2.0 million	— attending exhibitions in Dubai and Japan

Business strategy	Use of proceeds	Implementation plan
Research and development of new materials and products	HK$1.0 million	— research, development and testing of second generation large-size laser touch-screen
	HK$1.0 million	— research, development and testing of bullet-proof reinforced Smart Light-adjusting Products
	HK$1.0 million	— research, development and testing of laser projection advertising system for expected production commencement (expected by June 2018)
	HK$0.8 million	— research, development and testing of outdoor power switch for Smart Light-adjusting Products for expected production commencement in April 2018 and mass production (expected by June 2018)
Project for full automation of production line for Smart Light-adjusting Products	HK$6.0 million	— identification of target machinery from overseas and PRC suppliers (including automatic cutter, automatic scroller and sealing machine) with considerations as to functionality, performance and configurations (expected in the months of January 2018 and February 2018)
		— devise and evaluate acquisition plan including quotation assessment and budget planning (expected in the months of March 2018 and April 2018)
		— carrying out market research on supplier(s), identify suitable supplier(s) and cooperate with supplier(s) in research and development to confirm configuration of machinery, enter into cooperation agreement for development of production facilities and production of product samples (expected over the months of May 2018 and June 2018)

Business strategy	Use of proceeds	Implementation plan
Establishment and mass production of domestic laser home cinema systems	HK$5.5 million	— identify target machinery and equipment (including assembly and production equipment and optical and integrated inspection devices) and devise plan for the acquisition, implementation and installation of machinery and equipment for the establishment of production line for mass production of domestic home cinema systems involving the assembly of anti-ambient screen, portable projector and integrated control system (expected over the months of January 2018 and February 2018)
		— carrying out market research on supplier(s), identify suitable supplier(s), negotiate terms and conditions and enter into supply agreement (expected over the months of March 2018 to June 2018)
		— production, receipt, installation, trial-run testing, and full implementation and use of production line (expected in July 2018)
Sales and marketing efforts in the PRC	HK$3.0 million	— attendance of various industry related exhibitions in the PRC (including exhibitions relating to hotel construction, glass industry, construction materials and the China Import and Export Fair)
Working capital	HK$2.4 million	— general working capital
Total	**HK$24.1 million**	

For the six months ending 31 December 2018

Business strategy	Use of proceeds	Implementation plan
Overseas business expansion	HK$1.0 million	— develop relationships and negotiate supply terms with corporate entities (including distributors, suppliers, retailers and agencies) in identified target markets including Brazil and other South American and African countries
		— provision of product samples, arrange physical visits and receptions
	HK$0.5 million	— promotions and marketing to increase our brand exposure through global online trading platforms
	HK$1.0 million	— attending international building materials and/or glass industry exhibition in the United States, Brazil, Japan and Germany
Research and development of new materials and products	HK$2.0 million	— research, development, collaboration and testing of a new version of graphene Smart Light-adjusting Film
	HK$2.0 million	— research, development and developing tailor-made skills in cutting and electrode applications to be commenced in June 2018
	HK$2.0 million	— research, development, collaboration and testing (including third party testing) of large scale projection advertising system
Full implementation of fully automated production line for Smart Light-adjusting Products production	HK$6.0 million	— enter into production contract(s) for further acquisition of machinery from overseas and PRC suppliers (including automatic cutter, automatic scroller and sealing machine) for the full automation of production line for Smart Light-adjusting Products (expected by July 2018)
		— production, calibration, installation, trial-run testing and full implementation and use of automated production line (expected over the months from August 2018 to December 2018)

Business strategy	Use of proceeds	Implementation plan
Installation of extra-wide production line for Smart Light-adjusting Products	HK$3.0 million	— identify target machinery and equipment with consideration as to functionality, performance and configurations and devise plan for the acquisition, implementation and installation of machinery and equipment for the establishment of extra-wide production line for Smart Light-adjusting Products (expected in July 2018)
		— carrying out market research on supplier(s), identify suitable supplier(s), negotiate terms and conditions and enter into supply agreement (expected over the months of August 2018 and September 2018)
		— production, receipt, installation, trial-run testing and full implementation and use of production line (expected over the months of October 2018 to December 2018)
Installation of fully automated production line for pressing of glass	HK$3.0 million	— identify target machinery (including automated cutter, combing and loading equipment) with consideration as to functionality, performance and configurations and devise and evaluate acquisition plan including quotation assessment and budget planning (expected over the months of July 2018 and August 2018)
		— carrying out market research on supplier(s), identify suitable supplier(s), cooperate with supplier(s) in research and development to confirm configuration of machinery and enter into cooperation agreement for development of production facilities and production of product samples (expected over the months of September 2018 to November 2018)
		— sample production using prototype machinery for pressing of glass (expected by December 2018)

Business strategy	Use of proceeds	Implementation plan
Sales and marketing efforts in the PRC	HK$0.5 million	— monthly promotions and marketing to increase our brand exposure through PRC based online trading platforms
	HK$2.0 million	— attendance of various industry related exhibitions in the PRC (including exhibitions relating to construction materials and the China Import and Export Fair)
Total	**HK$23.0 million**	

For the six months ending 30 June 2019

Business strategy	Use of proceeds	Implementation plan
Overseas business expansion	HK$1.0 million	— conduct further research regarding market trends and customer preferences and collect market intelligence relating to target overseas markets
		— attend overseas exhibitions
	HK$1.0 million	— full-scale promotions and marketing to increase our brand exposure through global online trading platforms
Research and development of new materials and products	HK$5.0 million	— continue research, development, collaboration and testing of graphene conductive film with target initial launch by June 2019
Installation of fully automated production line for processing of glass	HK$6.0 million	— enter into production contract(s) for acquisition of machinery from supplier for full automation relating to pressing and processing of glass (expected over the months of January 2019 and February 2019)
		— production, calibration, installation, trial-run testing and full implementation and use of automated production line (expected over the months of March 2019 to June 2019)

Business strategy	Use of proceeds	Implementation plan
Sales and marketing efforts in the PRC	HK$1.0 million	— monthly promotions and marketing to increase our brand exposure through PRC based online trading platforms
Working capital	HK$2.0 million	— general working capital
Total	**HK$16.0 million**	

For the six months ending 31 December 2019

Business strategy	Use of proceeds	Implementation plan
Overseas business expansion	HK$0.8 million	— establishing and improving overseas agency and distribution network in European, United States and other overseas markets
		— provision of product samples, arrange physical visits and receptions
Research and development of new materials and products	HK$5.0 million	— research, development and testing relating to the application of Smart Light-adjusting Products to screen door on subway platforms
	HK$6.0 million	— commencement of batch sales of large-size laser advertising projection systems by February 2019
Sales and marketing efforts in the PRC	HK$ 2.2 million	— marketing and advertisement for large-size laser projection systems
Total	**HK$14.0 million**	

REASONS FOR THE SHARE OFFER AND USE OF PROCEEDS

Reasons for the Share Offer

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 Smart Light-adjusting Products and downstream application (namely, the Smart Light-adjusting Projection System) is testimonial of sufficient market demand for its products and it is opportune time to capitalise and realise its potential in overseas markets. As such, our Group intends to extend its footprint to overseas markets as well as develop production lines which cater for expected demand for its products.

Our Directors believe that the net proceeds from the Share Offer ("**Net Proceeds**") will provide us with additional capital to implement our future plans (please refer to the paragraph headed "Use of proceeds" below), which would be conducive to:

(i) consolidating and/or strengthening our Group's market position in the industry;

(ii) assist us in positioning ourselves as a leading enterprise in the PRC market; and

(iii) raising our profile as well as increasing the accountability and transparency of our Group's operations, which our Directors believe will assist it in securing more customers especially in overseas markets in which the brand of our Group is relatively less known.

In addition, our Directors expect the Listing assist us to gain access to the capital market for the future growth of our Group.

Use of proceeds

We estimate that the aggregate Net Proceeds from the Share Offer (after deducting underwriting commission and other estimated expenses payable by us in connection with the Share Offer), based on Offer Price of HK$1.0 per Offer Share, will be approximately HK$93.5 million, assuming the Offer Size Adjustment Option is not exercised. We currently intend to apply the Net Proceeds in the following manner:

(i) approximately 43.1% of the total estimated net proceeds, or approximately HK$40.6 million, will be used for purchase of machinery and equipment, including for enhancement and automation projects as well as establish new production lines;

(ii) approximately 28.8% of the total estimated net proceeds, or approximately HK$27.1 million, will be used to research and development of new materials and products;

(iii) approximately 10.4% of the total estimated net proceeds, or approximately HK$9.8 million, will be used for the purpose of overseas business expansion;

(iv) approximately 9.3% of the total estimated net proceeds, or approximately HK$8.7 million, will be used for sales and marketing purposes; and

(v) approximately 8.4% of the total estimated net proceeds, or approximately HK$7.3 million, will be used for general working capital and other general corporate purposes.

Set out below are details in relation to our Group's expected use of Net Proceeds from the Share Offer:

Net Proceeds for the acquisition of machinery and equipment

In respect of the HK$40.6 million which will be used for the acquisition of machinery and equipment:

(i) HK$6.8 million will be used for the purchase of machinery and equipment for the production of anti-ambient screen;

(ii) HK$4.3 million will be used for the installation and enhancement of monitoring system and cooperation with overseas suppliers of sputtering machine to enhance the functionality, production efficiency and quality of our Group's wide ITO film;

(iii) HK$5.5 million will be used for the establishment of a production line for domestic home cinema systems using, *inter alia*, anti-ambient screen;

(iv) HK$3.0 million will be used for the establishment and installation of extra-wide production line for Smart Light-adjusting Products; and

(v) HK$21.0 million will be used for the acquisition, installation of machinery and equipment for the full automation of our Group's production lines relating to Smart Light-adjusting Film and Smart Light-adjusting Products and for the pressing and processing of glass.

Our Directors believe that the acquisition of machinery and equipment using the Net Proceeds raised will, *inter alia*:

(i) lower the cost of labour and improve work safety over the production process;

(ii) increase production efficiency at "bottleneck processes" (i.e. point of congestion where the workloads arrive at a faster rate than the production process can handle) in upstream production process through automation, which would assist in increasing the utilisation rate of machinery and equipment in downstream production processes; and

(iii) assist in raising the consistency and quality of products as well as facilitate the development of new products and markets of our Group. In particular, our Directors believe, as confirmed by the F&S Report, that it is important to innovate and provide display products with better quality, higher performance and more cost efficiency given the general improvement in people's standard of living and growing need for better marketing communication tools. As such, it is expected that there will be demand for such products as domestic home cinema systems and extra-wide Smart Light-adjusting Products with anti-ambient properties (capable of generating high quality visual images, large-screen effects while eliminating influence of ambient environments) for serving both the domestic and outdoor advertising purposes.

We set out below further details in relation to the proposed acquisition of machinery and equipment:

1. *Purchase of machinery and equipment for the production of anti-ambient screen (proposed expenditure in the second half of 2017)*

The Smart Light-adjusting Projection System which our Company produced in the past has been a rear projection system, where a projector is placed behind the display glass. Our Directors believe that the Smart Light-adjusting Projection System will be more suitable and acceptable to the public for the purpose of indoor display if it is a front projection system, where a projector is placed in front of the display medium for the purpose of space saving.

Our Directors believe that using an anti-ambient screen as part of the front projection system will enhance display quality as it eliminates disturbances caused by, and limits the influence of, light sources from ambient environments on projection of images to the screen (i.e. it removes the necessity to switch off or dim other light sources when the projection system is used) while enabling the display of high quality visual images. The application of anti-ambient screen to Smart Light-adjusting Projection System will help create a cinema-like atmosphere in household environments which would enrich user experience and increase the appeal of the product from potential customers.

According to Frost & Sullivan, anti-ambient screens are being used in an increasing number of applications such as domestic home cinema systems and other fields for display purposes, and the market size of anti-ambient screen by revenue reached approximately RMB10.2 million in 2015 (from approximately RMB5.2 million in 2010, representing growth at a CAGR of approximately 14.4%) and is expected to amount to approximately RMB30.0 million by 2020, representing growth at a CAGR of approximately 24.1%). In addition, domestic home cinema systems equipped with anti-ambient screen is gaining rising popularity among customers in China and the market size by revenue reached approximately RMB7.2 million in 2015 (from approximately RMB3.4 million in 2010, representing growth at a CAGR of approximately 16.2%) and is expected to amount to approximately RMB25.0 million in 2020, representing growth at a CAGR of approximately 28.3%. Further, the expected prevailing "smart home" living style will bring about a rise in the demand for the Smart Light-adjusting Projection System.

In light of the expected increase in demand for Smart Light-adjusting Projection Systems equipped with anti-ambient screens, our Directors intend to establish a production line for manufacturing anti-ambient screens for assembly into front projection Smart Light-adjusting Projection Systems.

It is expected that approximately HK$6.8 million from the Net Proceeds will be used for the acquisition of film laminating machine, slitting machine, laser cutter and numerically controlled multi-axle machine for the production of anti-ambient screens. Our Directors expect that the full installation and trial-run testing of the production line for anti-ambient screen will be completed by December 2017 for commencement of production by January 2018.

2. *Installation and enhancement of monitoring system and cooperation with overseas suppliers of sputtering machine to enhance the functionality, production efficiency and quality of our Group's ITO film (proposed expenditure in the second half of 2017)*

ITO film is a particular important upstream product which our Group uses for the production of downstream products. Our Directors believe that it is important to improve the production efficiency of the ITO film production process because, as disclosed in the prospectus, there has been a steady decline in production cost and consequential downward pressure on the price of ITO film. As described in the F&S Report, such declines are mainly due to increasing capacity of suppliers for mass production as well as efficiency driven by technological advances. In order for our Group to remain competitive in the ITO film market as well as to meet expected growth in demand for downstream products of our Group, our Directors believe that it is necessary to enhance our Group's ITO film production efficiency and process while ensuring product quality. In this regard, it is proposed that:

(i) approximately HK$1.3 million will be used for the enhancement of the cooling system for the ITO sputtering machine which will increase the efficiency in the sputtering of ITO film;

(ii) approximately HK$1.6 million will be used for the enhancement of the off-track avoidance device for the ITO sputtering machine for reducing wastage of raw materials;

(iii) approximately HK$800,000 will be used for the installation of an online monitoring system for the ITO sputtering machine which will assist in discovering any defective sputtering at the early stage of production which target to reduce wastage of raw materials by 50%; and

(iv) approximately HK$600,000 will be used for the installation of a static electricity removing device for the ITO sputtering machine to prevent stain and scratch on the surface of raw materials.

Our Directors expect that the full installation and trial-run testing of the enhanced ITO sputtering machine will be completed by November 2017 for commencement of use by December 2017. While the installation and enhancement of monitoring system and the enhancement of the sputtering machine described above will improve the efficiency (in respect of reduction of wastage of raw materials) of the production process and the quality ITO film produced, the designed production capacity of the ITO film production lines (currently consisting of a 1,300mm roll-to-roll ITO sputtering machine and a 2,100mm roll-to-roll ITO sputtering machine) will remain unchanged. For details of the designed production capacity, please refer to the "Business – Our production facilities and processes – Production process and facilities relating to the manufacturing of ITO film" section of this prospectus.

3. *Establishment of production line for domestic home cinema systems (proposed expenditure in the first half of 2018)*

Our Directors believe that there will be an increase in demand for domestic home cinema systems (one of the products in the Smart Light-adjusting Projection System business segment of our Group) in the PRC. As described in the F&S Report, growth in the sales of such products is expected to accelerate in the PRC in the near future driven by, among other things, support from the Chinese government for the development of eco-friendly "smart" products and the increasing demands for home entertainment experiences as the disposal income of PRC households continue to rise.

To capitalise on increasing demand for domestic home cinema systems, our Group intends to continue enhancing the product as well as set up a production line for mass production. It is expected that approximately HK$1 million from the Net Proceeds will be used for setting up two automated assembly lines, approximately HK$2 million from the Net Proceed will be used for acquisition of optical and integrated inspection devices for quality control purposes, and a total of HK$2.5 million from the Net Proceeds will be used to satisfy the production requirement of home cinema system.

Our Directors expect that the full installation and trial-run testing of the production line for mass production of domestic home cinema system will be completed by June 2018 for commencement of production by July 2018.

4. *Establishment and installation of extra-wide production line for Smart Light-adjusting Products (proposed expenditure in the second half of 2018)*

Our Directors believe that there will be an increase in demand for Smart Light-adjusting Products and related downstream products in the PRC, especially in the "out-of-the-home" advertising market in the PRC (such as for the use in public transport products and commercial buildings) as such products are capable of presenting large-screen effect while ensuring high-definition visual performance. According to the F&S Report, the market size of extra-wide Smart Light-adjusting Products industry by revenue in China reached approximately RMB13.1 million in 2015 (from approximately RMB8.0 million in 2010, representing growth at a CAGR of approximately 10.4%) and is expected to reach approximately RMB30.3 million by 2020, representing growth at a CAGR of approximately 18.3%.

Our Group has already received orders for the supply and installation of 200 Smart Light-adjusting Projection Systems for metro stations as well as commercial advertisement displays in the PRC during the six months ended 31 December 2016, and is expecting further orders to be received in light of (i) the market trend described above; and (ii) the proposed use of anti-ambient screens in Smart Light-adjusting Projection Systems which reduces the influence of strong light in ambient environments and enhances user experience.

To cater for the expected demand of such products, which would require the application of extra-wide Smart Light-adjusting Products, our Company intends to establish and install an extra-wide production line in the second half of 2018. It is expected that the cost of such production line will be approximately HK$3 million.

Our Directors expect that the full installation and trial-run testing of the extra-wide production line for Smart Light-adjusting Products will be completed for commencement of production by December 2018.

5. *Acquisition and installation of machinery and equipment for the full automation of production lines relating to Smart Light-adjusting Film and Products and for the pressing and processing of glass (expenditure over the period from first half of 2018 to first half of 2019)*

Our Directors intend to invest approximately HK$21 million of Net Proceeds in the acquisition and installation of machinery and equipment for the full automation of production lines relating to Smart Light-adjusting Film and Products as well as pressing and processing of glass.

While the relatively low utilisation of machinery and equipment in the downstream production lines over the Track Record Period was not due to "bottleneck processes" (i.e. point of congestion where workloads arrive at a faster rate than the production process can handle), such "bottleneck processes" could occur in certain processes (including the process of turning roll-shaped films into plain surface films involving trimming, edge sealing, electrode nailing in the production of Smart Light-adjusting Film and the process of cutting, cleaning, pressing and laminating glass in the production of Smart Light-adjusting Glass) if there were high demand for downstream products but for (a) an increase in labour headcount, or (b) the automation of the relevant processes. Our Directors believe that the automation of the relevant processes (in lieu increasing labour headcount) is beneficial to our Group for the following reasons:

(i) automation of production processes will assist in decreasing the production costs of Smart Light-adjusting Products. In particular, labour costs for Smart Light-adjusting Film (constituting labour cost of approximately RMB50-60 per sq.m. of film produced) attributed to approximately 5% to 6% of our Group's cost of goods sold (excluding manufacturing overheads including depreciation of property, plant and equipment) over the Track Record Period and labour costs for producing Smart Light-adjusting Glass (constituting labour cost of approximately RMB120-150 per sq.m. of glass produced) attributed to approximately 4% to 11% of our Group's cost of goods sold (excluding manufacturing overheads including depreciation of property, plant and equipment). Our Directors believe that through automation, we would be able to materially reduce the number of manual workers required to achieve our target output capacity in our downstream products, and as a result, the average labour cost of producing Smart Light-adjusting Film and Smart Light-adjusting Glass may be reduced to RMB20 per sq.m. and RMB50 per sq.m. respectively despite the continuous upward trend of labour cost in the PRC given government policies to increase workers' protection;

(ii) automation will assist to limit the effect of rising worker turnover rate (especially after the Lunar New Year). Worker turnover is problematic for our Group as (a) the recruitment processes for new workers is often lengthy and requires the incurrence of additional time and costs (involving the engagement of recruitment agencies from time to time); (b) the average production costs would be increased due to the need to train newly recruited workers; (c) the issue of "bottleneck processes" would persist over the period before new workers could be engaged and production efficiency may be further affected before they are fully trained;

(iii) automation of production lines will assist in reducing incidents of product defects which result mainly from manual labour (such as scratch and stain on the surface of film and the presence of dust which results in breaking of film). Our Directors believe that the yield (良品率) of Smart Light-adjusting Film and Smart Light-adjusting Glass may be improved to 95% from currently 85% and 80% respectively. Such improvement will reduce wastage and cost associated with additional processing of defective products as well as reduce the incidence of product returns;

(iv) automation of production lines would improve work safety for our Group's workers, especially those involved in manual movement of large pieces of glass along the production line who are exposed to risk of injury from processing glass. Injuries to workers may increase the insurance cost to our Group and lead to incurrence of liability for compensation to workers pursuant to applicable PRC labour laws; and

(v) automation of the production line will be conducive in speeding up the production efficiency at "bottleneck processes" and will assist in increasing the overall utilisation rate of production capacity in respect of downstream products. This will assist in fulfilling customer orders for downstream products in light of expected increase in demand for our Group's downstream products.

Our Directors believe that, for the above reasons, the proposed automation of the production lines will facilitate our Group in meeting increasing market demand for downstream products, reduce overall production costs, increase overall production efficiency as well as provide workers with a safe working environment.

Our Directors expect that:

(i) the full installation and trial-run testing of automated production line for Smart Light-adjusting Products are expected to be completed, and automated production line is expected to be operational, by December 2018; and

(ii) the full installation and trial-run testing of automated production line for pressing and processing of glass shall be completed for full implementation by June 2019.

Net Proceeds for research and development

Our Directors believe that it is important for our Group to continually innovate and improve the products of our Group, especially as our Group competes in the advanced technology sector where customers have evolving needs and increasing demands. As such, our Directors believe that continued research and development is necessary in order to remain competitive (in terms of, among other things, quality, variety and functionality) with other market players who are devoting resources to develop existing and/or new alternative products.

Further, our Directors will also look towards research and development in products to satisfy specific needs of potential clients. For example, with increasing awareness of the importance of privacy protection and security globally, it is expected that the application of innovative safe Smart Light-adjusting Products such as bullet-proof reinforced Smart Light-adjusting Glass will become more prevalent. As such, our Group will spend on research and development of bulletproof Smart Light-adjusting Film/Glass to satisfy perceived market demand.

The following table summarises the research projects which our Group intends to use approximately HK$27.1 million from the Net Proceeds for:

From the Latest Practicable Date to 31 December 2017

Research item	Purpose	Features and application	Expected timetable	Proposed investment *(HK$ '000)*	Potential market demand
Increase light permeability and reduce reflection rate of Smart Light-adjusting Film	Increase market share by improving product quality	Enable product to reach 80% light permeability and be less light reflective; mainly cater for the use in commercial building including hotels and banks offices	Project expected to be commenced in July 2017 and product expected to be launched in December 2017	800	Please refer to the section headed "Industry overview — Overview of the Smart Light-adjusting Products industry in China" for information on the potential market demand for replacing traditional curtains and concrete walls with Smart Light-adjusting Products in commercial buildings.
Smart light-adjusting switch	Expanding presence in overseas market	Switch which is safer and insulates passage of electricity voltage to user; mainly cater for Smart Light-adjusting Products	Project expected to be commenced in July 2017 and product expected to be launched in December 2017	500	Power switches for Smart Light-adjusting Products make use of an electronic transformer (which controls the passing of power and voltage through Smart Light-adjusting Products) which enhances a user's experience as it allows the user to exert more control over the products ability to switch between opaque to transparent states. It also (i) acts as a circuit breaker to protect Smart Light-adjusting Products from surges in power voltage; and (ii) makes the installation of Smart Light-adjusting Products more convenient and efficient. It is expected that with the popularization of smart home and increasing demand for Smart Light-adjusting Products in the field of outdoor advertising and the hotel industry, the demand for new power switch for Smart Light-adjusting Products will experience rapid growth.

For the six months ending 30 June 2018

Research item	Purpose	Features and application	Expected timetable	Proposed investment *(HK$ '000)*	Potential market demand
Bulletproof Smart Light-adjusting Film/Glass	Satisfying demand from overseas customers with focus in American and European markets	Bulletproof products will meet the GA-165 standard required by the Ministry of Public Security of the PRC	Project expected to be commenced in January 2018 and product expected to be launched in June 2018	1,000	Along with increasing awareness of the importance of privacy and security globally, especially in Europe and the US (especially following the frequent occurrence of terrorist attacks over the past years), it is expected the application of bullet-proof reinforced Smart Light-adjusting Glass will become more prevalent in museums, financial institutions as well as for use in jewellery displays. According to the F&S Report, the market size of bullet-proof reinforced Smart Light-adjusting Products in China reached RMB6.8 million in 2015 and is expected to amount to RMB13.4 million by 2020, representing expected growth at a CAGR of 14.5% over the period from 2015 to 2020. The benefit of bullet-proof reinforced Smart Light-adjusting Product is that it allows customers to view the displayed items while safeguarding its safety and security.
Commercial laser projection system	Expanding the presence in the commercial display market	Product to be applied to shop windows, screen doors of subway and multi-media curtain wall	Project expected to be commenced in June 2018 and product expected to be launched in December 2018	2,800	Please refer to the section headed "Industry overview — Overview of the Smart Light-adjusting Products industry in China" of this prospectus for information on the potential market demand for Smart Light-adjusting Projection Systems.

For the six months ending 31 December 2018

Research item	Purpose	Features and application	Expected timetable	Proposed investment *(HK$ '000)*	Potential market demand
Graphene-made Smart Light-adjusting Film	Increasing market share by improving product quality	Product with increased electricity conductivity and light permeability and can be regarded as an upgraded version of Smart Light-adjusting Film	Project expected to be commenced in June 2018 and preliminary experiment expected to be completed by December 2018	2,000	With the development of technology, there is an increasing demand for cost-efficient and high-performance Smart Light-adjusting Products; as such, it is expected that there would be significant growth in demand for graphene-made Smart Light-adjusting Film in the high-end market as (i) the use of graphene could materially improve the light transmittance and electricity conductivity of the film; and (ii) the equipment investment and production cost using the coating method is lower than traditional non-coating production methods.
Tailor-made Smart Light-adjusting Products	Expanding presence in the American and European markets	Develop tailor-made skills in cutting and electrode applications	Project expected to be commenced in June 2018 and product expected to be launched by April 2019	2,000	Tailor-made Smart Light adjusting Products are designed to allow: (i) households to test and install the product conveniently with a simplified installation process; and (ii) users to control the use of product through use of mobile applications using smart phones. It is expected that demand for tailor-made Smart Light-adjusting Products will grow steadily, especially in markets in Europe and the United States.

Research item	Purpose	Features and application	Expected timetable	Proposed investment *(HK$ '000)*	Potential market demand
Large scale projection advertising display system	To become a pioneer in the large-scale laser advertising display market	Products which enable remote control and remote monitoring of displays, amendment of content, and can be applied to multi-media curtain wall for advertising purposes	Project expected to be commenced in June 2018 and preliminary experiment expected to be finished in January 2019	2,000	It is expected that the demand for innovative and high-performance laser projection advertising systems will be supported by rapid development in the outdoor advertising industry. With enhanced features (such as remote control and metro compatible control and dispatch systems (for use in subway stations)) and functionalities (such as content editing, playback controls and other features), it is expected the new generation laser projection advertising systems using Smart Light-adjusting Products will be well received by the market, leading to strong demand, as they are well equipped to assist advertisers to achieve more efficient advertisement placement and operations. Further, large-size laser projection advertising systems could be applied to large advertising platforms (such as multi-media advertising walls) to achieve effective mass-marketing.

For the six months ending 30 June 2019

Research item	Purpose	Features and application	Expected timetable	Proposed investment *(HK$ '000)*	Potential market demand
Advanced graphene-made Smart Light-adjusting Film	Reaching 30% market share in the Smart Light-adjusting Products market	Product with increased electricity conductivity and light permeability to 85%, and can be regarded as a further upgraded version of Smart Light-adjusting Film	Project expected to be commenced in March 2019 and product expected to be launched by June 2019	5,000	Please refer to paragraph above on the potential market demand for graphene-made Smart Light-adjusting Film.

For the six months ending 31 December 2019

Research item	Purpose	Features and application	Expected timetable	Proposed investment *(HK$ '000)*	Potential market demand
Application of Smart Light-adjusting Projection Systems to screen doors in subway stations	Entering into the market for application of Smart Light-adjusting Projection Systems to subway screen doors	Product to be applied to screen doors at subway for advertising and visual experience of commute and users of public subway systems	Project expected to be commenced in May 2019 and product expected to be launched by December 2019	5,000	Please refer to the section headed "Industry overview — Overview of the Smart Light-adjusting Products industry in China" of this prospectus for information on the potential market demand for Smart Light-adjusting Projection Systems.
Large-size laser advertising projection systems	Commencement of batch sales of the products	Remote control application, multi-device control and front-end control	Project expected to be commenced in February 2019 and product expected to be launched by December 2019	6,000	Please refer to paragraph above on the potential market demand for large-size laser projection advertising systems.
Total				27,100	

Status of development of new materials and products

Our Group has continued to carry out research, development and testing of films with the aim to enhance the properties of its products. In particular, our Group has been successful in producing samples of a type of low voltage film which has superior properties (including lower haze rate, higher transmission rate, greater adhesiveness to glass (which may reduce incidents of product defect) and longer lifespan). Our Group has applied to the trademark authority of the PRC in respect of the production process of such enhanced film.

Our Group will continue to carry out research, development and testing work to enhance its products including, without limitation, efforts to bring anti-reflective film to mass production and to develop safer switches that insulate passage of electricity voltage for Smart Light-adjusting Products by the second half of 2017.

Net Proceeds for overseas business expansion

Our Directors have commenced efforts to expand the overseas business of our Group since 2015 as the business of our Group has continued to mature and prosper, and has promoted its business through such platforms as www.1688.com and www.globalsource.com where it has witnessed an increase in demand for its products.

Overseas sales and strategic alliances

Our Group has established relationship with customers from Australia, Dubai, France, Germany, Israel, India, Indonesia, Japan, Peru, Singapore, Spain, Taiwan, Thailand, UAE, the United Kingdom and the United States. These customers include new material products, construction companies, contractors of developers as well as design, decoration and renovation companies.

As at the Latest Practicable Date, we have:

(a) entered into purchase orders and contracts with some of these overseas customers for the supply of Smart Light-adjusting Products to them; the amount of trade orders received from these customers amounted to approximately RMB490,000 and RMB1,081,000 for the financial years ended 31 December 2015 and 31 December 2016 respectively;

(b) provided price quotation and specifications of products and where appropriate, entered into cooperation and/or supply contracts, for the proposed supply of products with certain of these overseas customers in the future; and

(c) commenced negotiation with overseas customers in relation to the supply of Smart Light-adjusting Products and Smart Light-adjusting Projection Systems for various residential housing, hotel and resorts as well as large-scale plaza projects.

To further its overseas expansion plans, our Group has also commenced negotiations and has entered into memorandums of understanding ("**MoUs**") with enterprises in such jurisdictions as India, UAE and Israel to establish strategic alliance for the sales of our Group's products and enter into technical collaboration to assist them in establishing a manufacturing base for processing Smart Light-adjusting Products. The table below sets out details of such strategic alliance for reference:

<table>
<tr><th>Jurisdiction</th><th>Date of MoU</th><th>Typical key terms of collaboration</th></tr>
<tr><td>India</td><td>14 August 2015</td><td rowspan="2">• phased-wise strategic alliance commencing with supply and sale of Smart Light-adjusting Films by strategic partner in the local jurisdiction and subsequently entering into technical collaboration for the purpose of assisting the partner in establishing manufacturing base(s) in the local jurisdiction
• technological and commercial feasibility studies to be conducted by the strategic partner in the local jurisdiction at its own expense
• our Group shall authorise the strategic partner to use certain intellectual properties of our Group in the local jurisdiction for marketing and technical collaboration purposes</td></tr>
<tr><td>UAE</td><td>8 January 2017</td></tr>
</table>

Jurisdiction	Date of MoU	Typical key terms of collaboration
Israel	6 February 2017	• our Group shall provide technical support with training to staff as well as technical know-how and support to strategic partner to assist its setting up of manufacturing plant in the local jurisdiction for product manufacturing

Through such strategic alliance, our Group intends to assist the relevant overseas enterprises to establish a manufacturing base in the local jurisdiction such that they may undertake certain downstream processing and assembly processes (such as glass assembling) locally, and which will in turn, assist in our strategy in increasing our sales and supply of upstream Smart Light-adjusting Products to them. To date, these strategic partners have yet to commence production of any Smart Light-adjusting Products and may place orders from our Group from time to time. As at the Latest Practicable Date, total amount of sales to these strategic partners amounted to approximately RMB484,187.8 (or approximately HK$553,851.2).

While a strategic partner may seek assistance and technology support (such as glass assembling techniques) from our Group as part of the technical collaboration for the purpose of their establishment of processing manufacturing base(s) in the local jurisdiction, no sensitive intellectual property or proprietary know-how would be transferred in such collaboration. Accordingly, no licensing arrangements are expected to be involved.

Our Company is of the view (and its legal advisers agrees) that such activities are within its ordinary and general commercial course of business not subject to any particular overseas laws and regulations, licensing requirements and/or entry barriers in overseas markets.

Our Group has not conducted any business activities or operations in the territories of the overseas jurisdictions except attending industry conventions and exhibitions, meeting with potential customers or liaison with overseas business counterparts within the ambit of permitted activities of visitors to those overseas jurisdictions (as published on the websites of the immigration or similar departments of the governments of those overseas jurisdictions).

Further, our Group has commenced sales to certain overseas customers since 2015 (in jurisdictions including the United States, India, Spain, Thailand, Indonesia, France, Japan, Peru, Taiwan, Israel, Singapore and UAE). As advised by the senior management of our Group, our Group has not experienced any particular regulatory hurdles for the sales and marketing of our Group's products into these major markets and jurisdictions up to the date of this submission and the relevant countries have been receptive to importing high-tech and energy-efficient products such as those produced by our Group. Further, our Directors believe that our Group is generally not exposed to any material regulatory or other risks (other than those it is generally exposed to in its ordinary course of business in the PRC) for sales of products to the relevant overseas customers as the terms of shipping to these customers were either:

(i) Free on Board (FOB) Zhuhai, which means that our Group would be responsible for clearing the products for export and delivering the products to the shipping port of Zhuhai only, and therefrom the overseas customer will be responsible for all costs (including freight transport and insurance) and risks to the products; or

(ii) Ex Works (EXW), which means that title and risk to the products pass to the overseas customer at the premise of our Group and the overseas customer will be responsible for all costs (including freight transport and insurance) and risks to the product collected from our Group's premises.

Our Company does not expect to incur material expenditures in respect of the collaboration described above in respect of the MoUs, and such expenditures are expected to be funded by internal resources of our Company.

Competitive advantage in supplying to overseas market

According to the F&S Report:

(i) the current average price of PRC-made Smart Light-adjusting Products are USD200 per sq.m. compared to average price of overseas-made Smart Light-adjusting Products of USD250 to 400 per sq.m. (i.e. from 25% to 100% premium of the selling price of products manufactured in the PRC); and

(ii) the size of the overseas Smart Light-adjusting Products market amounted to approximately USD675 million in 2015 with approximately 65% concentration of supply in European and American markets.

As such, our Directors believe that our Group will be able to compete effectively in terms of pricing and to capitalise on the increasing growth of the market which is currently dominated by European and American market players.

Overseas sales and marketing activities

Our Directors intend to leverage of our current market position as a leading producer of Smart Light-adjusting Products and Smart Light-adjusting Projection Systems in the PRC in terms of market share and gradually increase our presence in various overseas markets. To this end, we intend to increase our sales and marketing efforts in target markets through participating in industry conventions and exhibitions, meeting with potential customers, marketing our productions through various online promotional platforms, and expanding our overseas network through cooperation with overseas agencies. Such overseas sales and marketing activities (which are within its ordinary course of business) would not involve any of our Group's employees or representatives to be based in overseas jurisdictions or which would otherwise involve in the carrying out of activities which are regulated and/or restricted in relevant jurisdictions. The following is a summary of our Group's planned overseas business activities for the period up to 31 December 2019:

	For the year ending 31 December 2017	For the six months ending 30 June 2018	For the six months ending 31 December 2018	For the six months ending 30 June 2019	For the six months ending 31 December 2019
Markets		Japan, Middle East, Southeast Asia	South America, United States	Major overseas market	United States and Europe
Method	Research regarding market trends and customer preferences and develop relationships with corporate entities (including focal distributors, suppliers, retailers and agencies) in target overseas market	Participation in industry conventions and exhibitions to be held in Dubai and Japan; visiting customers in Southeast Asia	Participation in industry conventions and exhibitions to be held in Brazil, the United States	Participation in industry conventions and exhibitions to be held in other major overseas areas	Establishing and improving distribution and sales network in European, United States and other overseas markets; provision of product samples, arrange physical visits and receptions
Online promotional platforms	1688.com globalsource.com	1688.com globalsource.com	1688.com globalsource.com	1688.com globalsource.com	1688.com globalsource.com

The material terms of supply to overseas customers are expected to be substantially similar to those set out in the section headed "Business — Sales and Distribution Channels — Direct sales" in this prospectus.

BASES AND KEY ASSUMPTIONS

We have adopted the following principal assumptions in the preparation of the future plans up to 31 December 2019:

General assumptions:

- there will be no material adverse change in the existing political, legal, fiscal, market or economic conditions in Hong Kong; and
- there will be no material change in the bases or rates of taxation and duties in the PRC.

Specific assumptions:

- we will have sufficient financial resources to meet the planned capital and business development requirements during the period to which the business objective relates;
- the Share Offer will be completed in accordance with and as described in the section headed "Structure and conditions of the Share Offer" in this prospectus;
- our Directors and key senior management will continue to be involved in the development of our existing and future development and we will be able to retain our key management personnel;
- we will be able to recruit additional key management personnel and staff when required;
- we will be able to maintain our customers and sustain demand for our products;
- there will be no change in the funding requirement for each of the business strategies described in this prospectus from the amount as estimated by our Directors;
- there will be no material changes in existing laws and regulations, or other governmental policies relating to our Group, or in the political, economic or market conditions in which our Group operates;
- there will be no material changes in the bases or rates of taxation applicable to the activities of our Group;
- there will be no disasters, natural, political or otherwise, which would materially disrupt the businesses or operations of our Group;

- we will not be materially and adversely affected by the risk factors as set out in the section headed "Risk factors" in this prospectus; and
- we will be able to continue our operations in substantially the same manner as we have been operating during the Track Record Period and we will also be able to carry out our implementation plans without disruptions.

OFFER SHARES ARE FULLY UNDERWRITTEN

This prospectus is published solely in connection with the Share Offer, which is sponsored by the Sole Sponsor and managed by the Joint Lead Managers and to be fully underwritten by the Underwriters (subject to the terms and conditions of the Underwriting Agreements). Further information about the Underwriters and the underwriting arrangements is contained in the section headed "Underwriting" in this prospectus.

UNDERWRITERS

Joint Bookrunners and Joint Lead Managers

Yuanta Securities (Hong Kong) Company Limited
China Everbright Securities (HK) Limited

Public Offer Underwriters

Yuanta Securities (Hong Kong) Company Limited
China Everbright Securities (HK) Limited

Placing Underwriters

Yuanta Securities (Hong Kong) Company Limited
China Everbright Securities (HK) Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company is offering initially 12,000,000 Public Offer Shares (subject to reallocation) for subscription by the public in Hong Kong on the terms and subject to the conditions of this prospectus and the Application Forms at the Offer Price.

Subject to:

- the Listing Division of Stock Exchange granting the listing of, and permission to deal in, the Shares in issue or to be issued pursuant to the Share Offer or otherwise as mentioned in this prospectus and such listing and permission not subsequently being revoked; and

- certain other conditions set out in the Public Offer Underwriting Agreement being satisfied or waived on or before the dates and times as specified therein or such other dates as the Joint Lead Managers (for themselves and on behalf of the Underwriters) may agree (but in any event not later than the 30th day after the date of this prospectus),

  The Public Offer Underwriters have agreed to subscribe or procure subscribers applications, on the terms and conditions of this prospectus, the related Application Forms and the Public Offer Underwriting Agreement, for the Public Offer Shares now being offered and which are not taken up under the Public Offer.

The Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been executed, becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

The obligations of the Public Offer Underwriters to subscribe or procure subscribers for the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination. The Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) shall have the right, in its sole and absolute discretion, by notice in writing to terminate the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement if it see fits upon the occurrence of, but not limited to any of the following events at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date:

(a) there has come to the notice of the Joint Lead Managers:

(i) that any statement contained in this prospectus or the Application Forms, considered by the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) in their sole and reasonable opinion to be material in relation to the Share Offer, was, when the same was issued, or has become, untrue, incorrect or misleading in any respect or that any forecasts, expressions of opinion, intention or expectation expressed in the web proof information pack, this prospectus, the Application Forms and/or any notice, announcements, advertisements communications and other documents issued or used by our Company in connection with the Share Offer (including any supplement or amendment thereto), was not, when it was made, fair and honest and based on reasonable assumptions in any material respect; or

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a misstatement or omission therefrom as considered by the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) in their sole and reasonable opinion to be material to the Share Offer; or

(iii) any breach of any of the obligations imposed upon any party under the Public Offer Underwriting Agreement or the Placing Underwriting Agreement (other than on the Public Offer Underwriters) which the Joint Lead Managers considers to be material; or

(iv) any breach, considered by the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) in their sole and reasonable opinion to be material in the context of the Share Offer, of any of the representations, warranties and undertakings given by our Company, our executive provisions Directors, the Controlling Shareholders contained in the Public Offer Underwriting Agreement, or any event rendering any such representations and warranties to be untrue, incorrect, inaccurate or misleading in any respect; or

(v) any change or development involving a prospective change in the conditions, business affairs, prospects, assets, liabilities, general affairs, management, shareholders' equity, profits, losses or the financial or trading position or performance of any members of our Group which is considered by the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriter) in their sole and reasonable opinion to be material in the context of the Share Offer; or

(vi) approval by the Listing Division of the listing of, and permission to deal in, the Shares in issue or to be issued under the Share Offer is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(vii) our Company withdraws any of this prospectus, the Application Forms and/or any other documents used in connection with contemplated subscription and sale of the Offer Shares; or

(viii) any person (other than any of the Public Offer Underwriter) has withdrawn or sought to withdraw its consent to being named in this prospectus, the Application Forms and/or any other documents used in connection with the contemplated subscription and sale of the Offer Shares or to the issue of any of such documents; or

(ix) other than with the approval of the Joint Lead Managers, the issue or requirement to issue by our Company of any supplement or amendment to this prospectus and the Application Forms (or to any other documents used in connection with the contemplated subscription and sale of the Offer Shares) pursuant to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance; or

(x) any potential litigation, disputes or claims which would affect the operation, financial condition or reputation of any member of the Group in any material respect; or

(xi) GEM Listing Rules, the SFO or any other applicable laws, or any requirement or request of the Stock Exchange and/or the SFC where the matter to be disclosed is, in the sole and reasonable opinion of the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriter), materially adverse to the marketing or implementation of the Share Offer; or

(xii) any prohibition on our Company by a governmental authority for whatever reasons from offering, allotting, issuing or selling of the Offer Shares pursuant to the terms of the Share Offer; or

(xiii) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnified parties under the Public Offer Underwriting Agreement; or

(xiv) the Placing Underwriting Agreement have not been duly executed at or before 13 July 2017 (or such other date as may be agreed between our Company and the Joint Lead Managers); or

(xv) the imposition of any moratorium, suspension or material restriction on trading securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or

(xvi) any event of force majeure including but without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out, natural disaster or outbreak of infectious diseases, which in the reasonable opinion of the Sole Sponsor and/or the Joint Lead Managers (for themselves and on behalf of the Underwriters):

(1) is or will be materially adverse to the business, financial condition or prospects of our Group taken as a whole; or

(2) has or will have a material adverse effect on the success of the Share Offer or has or will have the effect of making any part of the Underwriting Agreements incapable of implementation or performance in accordance with its terms; or

(3) makes it inadvisable or inexpedient to proceed with the Share Offer.

(b) there shall develop, occur, exist or come into effect:

(i) any change or development involving a prospective change, or any event or series of events resulting in or representing a change or development involving a prospective change, in local, national, regional or international, financial, political, military, industrial, economic, fiscal, regulatory, currency or market conditions and matters and/ or disaster or any monetary or trading settlement systems (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and interbank markets, or any monetary or trading settlement system, any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange, any change in the system under which the value of the Hong Kong currency is linked to that of the currency of the US dollars, or any material fluctuation in the exchange rate of Hong Kong dollars against any foreign currencies, or any interruption in the securities settlement or clearing service or procedures) in or affecting Hong Kong, China, Bermuda or any other jurisdictions where any member of our Group or its major service providers is incorporated or operates (collectively, the "Relevant Jurisdictions" and individually, a "Relevant Jurisdiction"); or

(ii) any new law or regulation or any change or development involving a prospective change in existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any Relevant Jurisdiction; or

(iii) any event or series of events in the nature of force majeure or otherwise beyond control of the Public Offer Underwriter (whether or not covered by insurance or responsibility has been claimed) including, without limitation, acts of government, strikes, lock-outs, fire, explosions, flooding, earthquakes, epidemics, pandemics, outbreaks of infections, diseases, Severe Acute Respiratory Syndrome (SARS) and Influenza A (H5N1) and any related or mutated forms of infectious diseases, civil commotions, economic sanctions, public disorder, social or political crises, acts of war, acts of terrorism, acts of God, accidents or interruptions or delays in transportation in or affecting any Relevant Jurisdiction; or

(iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any Relevant Jurisdiction; or

(v) (A) any suspension or limitation on trading in shares or securities generally on the Stock Exchange, or (B) a general moratorium on commercial banking activities or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any Relevant Jurisdiction or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of the Relevant Jurisdictions; or

(vi) any change or development involving a prospective change in taxation or exchange controls, currency exchange rates or foreign investment regulations (including without limitation a material devaluation of the Hong Kong dollar against any foreign currencies) or the implementation of any exchange control in any Relevant Jurisdiction; or

(vii) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, any Relevant Jurisdiction; or

(viii) any litigation, legal action or claim being threatened or instigated against any member of our Group; or

(ix) the commencement by any governmental, law enforcement agency, regulatory or political body or organisation of any action against any Director or any member of our Group or an announcement by any governmental, law enforcement agency, regulatory or political body or organisation that it intends to take any such action; or

(x) any Director being charged or indicted or detained with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company or the commencement by any government authority of any investigation or other action against any Director in his/her capacity as such or an announcement by any government authority that it intends to investigate or take any such actions; or

(xi) the chairman or chief executive officer of our Company vacating his office; or

(xii) an order or petition for the winding up or liquidation of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or substantive part of the assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group; or

(xiii) non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription of the Shares) or any aspect of the Share Offer with the GEM Listing Rules, the Bye-laws, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Act, the SFO or any other applicable laws and regulations; or

(xiv) a valid demand by any creditor for repayment or payment of any indebtedness of our Company or any member of our Group or in respect of which our Company or any member of our Group is liable prior to its stated maturity; or

(xv) any change or development involving a prospective change, or a materialisation of, any of the risk factors set out in the section headed ''Risk Factors'' in this prospectus; or

(xvi) any loss or damage sustained by any member of our Group (howsoever caused but excluding such loss or damage which are subject of and fully covered by any insurance or claim against any person); or

(xvii) any adverse change or development involving a prospective change in the condition (financial or otherwise) or in the earnings, business affairs, business prospects or trading position of any member of our Group, or customer confidence, including but not limited to any action, suit, proceeding, litigation or claim of any third party being threatened or instigated against any member of our Group, or any investigation of any member of our Group or an order or suspension of business by any government authority; or

(xix) other than with the approval of the Joint Lead Managers and the Public Offer Underwriters (such approval not to be unreasonably withhold), the issue or requirement to issue by our Company of a supplementary prospectus (or any other documents used in connection with the contemplated subscription for and/or purchaser of the Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the GEM Listing Rules, which in each case in the sole and reasonable opinion of the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters):

(1) is/are or shall or could be expected to have a material adverse effect on the assets, liabilities, Shareholders' equity, profits, losses, general affairs, management, business, financial, trading or other condition or prospects of our Company or our Group or any members of our Group or on any present or prospective Shareholder in his, her or its capacity as such; or

(2) has or will have or could be expected to have an adverse effect on the success, marketability or pricing of the Share Offer or the level of applications under the Public Offer or the level of interest under the Share Offer; or

(3) makes it impracticable, inadvisable or inexpedient for the Share Offer to proceed or to market the Share Offer or shall otherwise result in an interruption to or delay thereof; or

(4) has or would have the effect of making any part of the Public Offer Underwriting Agreement (including underwriting) or the Share Offer incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof.

The Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company and our Controlling Shareholders will enter into the Placing Underwriting Agreement with, among others, the Joint Bookrunners, the Joint Lead Managers and the Placing Underwriters on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below.

Under the Placing Underwriting Agreement, the Placing Underwriters would, subject to certain conditions, agree to subscribe or procure subscribers to subscribe for the Placing Shares being offered pursuant to the Placing.

Following the completion of the Share Offer, the Underwriters and their respective affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Underwriting Agreements.

Save for their interests and obligations under the Underwriting Agreements, the sponsorship and documentation fee payable to the Sole Sponsor in connection with the Listing, and the fee payable to the Sole Sponsor for acting as our compliance adviser, none of the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or their respective directors or employees, is interested, beneficially or otherwise, in any shares in any member of our Group or has any right (whether enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.

No director or employee of the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers or the Underwriters has a directorship in our Company or any member of our Group. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors should note that if the Placing Underwriting Agreement is not entered into or is terminated, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated in accordance with its terms. It is expected that pursuant to the Placing Underwriting Agreement, our Company and the Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement.

Commission and expenses

The Underwriters will receive an underwriting commission of an amount equal to 2.5% of the aggregate Share Offer of all Offer Shares (including the Shares to be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option), out of which the Underwriters will pay all sub-underwriting commission if any.

The Sole Sponsor will receive a sponsorship and documentation fee in relation to the Listing and the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters will be reimbursed for their expenses properly incurred in connection with the Share Offer.

The above underwriting commission, sponsorship and documentation fee and expenses, together with the Stock Exchange listing application fee, Stock Exchange trading fee, SFC transaction levy, legal and other professional fees, and printing and other expenses relating to the Share Offer and Listing, are estimated to amount in aggregate to approximately HK$26.5 million in total (assuming the Offer Size Adjustment Option is not exercised and based on the Share Offer Price of HK$1.0 per Offer Share) and are to be borne by our Company.

Indemnity

Our Company has agreed to indemnify the Underwriters for certain losses which it may suffer, including losses arising from its performance of or failure to perform, its obligations under the Underwriting Agreements and any breach by our Company pursuant to the terms of the Underwriting Agreements.

Underwriters' interest in our Company

Except for its obligations under the Underwriting Agreements and save as disclosed in this prospectus, none of the Underwriters has any shareholding interests in any member of our Group nor has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Shares or securities convertible into Shares.

Following the completion of the Share Offer, the Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Underwriting Agreements.

Undertakings

By our Company

Our Company has undertaken to the Stock Exchange that it will not issue any further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) or enter into any agreement to issue any such Shares or securities within six (6) months from the Listing Date (whether or not such issue of shares or securities will be completed within six (6) months from the Listing Date), except for those permitted in accordance with Rule 17.29 subsections (1) to (5) of GEM Listing Rules.

By our Controlling Shareholders

Each of the Controlling Shareholders has, jointly and severally, undertaken to and covenanted with each of our Company, the Stock Exchange, the Sole Sponsor, the Joint Lead Managers and the Underwriters that, without the prior written consent of the Sole Sponsor and/or the Joint Lead Managers (for themselves and on behalf of the Underwriters) and unless in compliance with the requirements of the GEM Listing Rules, it/he shall not, and shall procure none of its/his associates or companies controlled by it/him or any nominee or trustee holding in trust for it/him to:

(i) at any time during the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholders is made in this prospectus and ending on the date which is six months from the Listing Date (the "**First Six-month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares or securities of our Company in respect of which it/he is shown by this prospectus to be the beneficial owner (whether direct or indirect) (the "**Relevant Shares**"); and

(ii) at any time during the period of six months commencing on the date on which the First Six-month Period expires (the "**Second Six-month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Relevant Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, any of the Controlling Shareholders would cease to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company;

and in the event that it/he enters into any transaction specified in sub-paragraph (i) above during the Second Six-month Period (whether or not such transaction will be completed in the aforesaid period), it/he will take all reasonable steps to ensure that any such transaction, agreement, or as the case may be, announcement will not create a disorderly or false market in the securities of our Company.

Each of the Controlling Shareholders has undertaken to and covenanted with our Company, the Sole Sponsor, the Joint Lead Managers, the Underwriters and the Stock Exchange that:

(i) in the event that it/he pledges or charges any of its/his direct or indirect interest in the Shares or other securities of our Company under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules at any time during the period commencing on the date by reference to which Disclosure of the shareholding of the Controlling Shareholders is made in this prospectus and ending on the date on which the Second Six-month Period expires, it/he must inform our Company, the Sole Sponsor, the Joint Lead Managers and the Underwriters immediately thereafter, disclosing the details specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and

(ii) having pledged or charged any of its/his interests in the Shares or other securities of our Company under sub-paragraph (i) above, it/he must inform our Company, the Sole Sponsor, the Joint Lead Managers and the Underwriters immediately in the event that it/he becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of the Shares or other securities of our Company affected.

Our Company will also inform the Stock Exchange as soon as our Company has been informed of the above matters (if any) by any of the Controlling Shareholders and disclose such matters by way of announcement in accordance with Rule 17.43 of the GEM Listing Rules as soon as possible after being so informed by any of the Controlling Shareholders.

Undertakings to the Underwriter

Undertakings by our Company

Pursuant to the Underwriting Agreements, our Company has undertaken to and covenanted with the Stock Exchange, the Sole Sponsor, the Joint Lead Managers and the Underwriters that our Company will not, and each of the Controlling Shareholders and executive Directors has undertaken to the Stock Exchange, the Sole Sponsor, the Joint Lead Managers and the Underwriters that it/he will procure our Company not to, without the prior written consent of the Sole Sponsor and/or the Joint Lead Managers, (for themselves and on behalf of the Underwriters) and unless in compliance with the requirements of the GEM Listing Rules (including but not limited to Rule 17.29 of the GEM Listing Rules), except for the issue of Shares under the Share Offer, the Capitalisation Issue or the exercise of the Offer Size Adjustment Option:

(i) at any time within the First Six-month Period offer, allot, issue, agree to allot or issue, sell, lend, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any options, rights or warrants to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, or repurchase any of the share capital or other securities of our Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or any interest therein), or enter into any swap, derivative, repurchase, lending, pledge or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of share capital or such other securities, in cash or otherwise, or publicly disclose that our Company will or may enter into any of the foregoing transactions (whether or not such transaction will be completed in the aforesaid period); and

(ii) at any time during the Second Six-month Period, issue or grant (conditionally or unconditionally) any options or right to subscribe for or otherwise convert into or exchange for Shares or securities of our Company or of any of its subsidiaries so as to result in any of the Controlling Shareholders ceasing to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company,

and in the event our Company enters into any transaction specified in sub-paragraph (i) above during the Second Six-month Period (whether or not such transaction will be completed in the aforesaid period), it shall take all reasonable steps to ensure that any such transaction, agreement, or as the case may be, announcement will not create a disorderly or false market in the securities of our Company.

With regard to the undertaking made pursuant to Rule 13.16A of GEM Listing Rules, please refer to the paragraph headed “Undertakings” under the section headed “Substantial Shareholders” of this prospectus.

THE SHARE OFFER

The Share Offer consists of (subject to adjustment and the Offer Size Adjustment Option):

- the Public Offer of 12,000,000 Public Offer Shares (subject to reallocation as mentioned below), representing 10% of the Offer Shares, which will be offered to members of the public in Hong Kong as further described in the paragraph ''The Public Offer'' below;

- the Placing of 96,000,000 Placing Shares (subject to reallocation and the Offer Size Adjustment Option as mentioned below), representing 80% of the Offer Shares which will initially be conditionally be placed with selected professional, institutional and other investors, as further described in the paragraph headed ''The Placing'' below; and

- the Preferential Offering of 12,000,000 Reserved Shares, representing 10% of the Offer Shares, which will be offered to the Qualifying Singyes Solar Shareholders as further described in the paragraph ''The Preferential Offering'' below.

Investors may apply for the Offer Shares under the Public Offer or indicate an interest, if qualified to do so, to subscribe for the Offer Shares under the Placing, but may only receive Shares under either the Public Offer or the Placing. The number of Offer Shares to be offered under the Public Offer and the Placing respectively may be subject to reallocation as described in the paragraph headed ''Re-allocation of the Offer Shares between the Placing and Public Offer'' in this section.

THE PUBLIC OFFER

12,000,000 Public Offer Shares are being offered for subscription (subject to reallocation as mentioned below) by members of the public in Hong Kong under the Public Offer, representing 10% of the total number of Offer Shares offered under the Share Offer. The Public Offer is fully underwritten by the Public Offer Underwriters (subject to satisfaction or waiver of conditions provided in the Public Offer Underwriting Agreement).

Applicants for the Public Offer Shares are required on application to pay the Offer Price of HK$1.0 per Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy.

The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. An applicant for Shares under the Public Offer will be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it has not applied for nor taken up any Shares under the Placing nor otherwise participated in the Placing. Applicants should note that if such undertaking and/or confirmation given by an applicant is breached and/or is untrue (as the case may be), such applicant's application under the Public Offer is liable to be rejected. Multiple applications or suspected multiple applications and any application made for more than 50% of the Shares initially comprised in the Public Offer (i.e. 6,000,000 Public Offer Shares) are liable to be rejected.

Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. When there is oversubscription under the Public Offer, allocation of the Public Offer Shares may involve balloting, which would mean that some applicants may be allotted more Public Offer Shares than others who have applied for the same number of the Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Allocation

For allocation purposes only, the total number of Public Offer Shares available under the Public Offer (after taking into account any re-allocation referred to below) will be divided equally into two pools: pool A and pool B. Accordingly, the maximum number of Public Offer Shares initially in pool A and pool B will be 6,000,000 Public Offer Shares and 6,000,000 Public Offer Shares, respectively. The Public Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with an aggregate price of HK$5.0 million (excluding the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee payable) or less. The Public Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with an aggregate price of more than HK$5.0 million (excluding the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee payable). For the purpose of this paragraph only, the "price" for Public Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined).

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Public Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Public Offer and any application for more than 6,000,000 Public Offer Shares are liable to be rejected.

THE PLACING

96,000,000 Placing Shares are being initially offered pursuant to the Placing, representing in aggregate 20% of the enlarged issued share capital of our Company immediately after the completion of the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and any Reserved Shares not taken up by Qualifying Singyes Solar Shareholders under the Preferential Offering and reallocated to the Placing). If the Offer Size Adjustment Option is exercised in full, the Placing Shares will represent approximately 19.3% of the enlarged share capital of our Company immediately after the completion of the Share Offer and the exercise of the Offer Size Adjustment Option. Further information about the Offer Size Adjustment Option is set out in the paragraph headed "Offer Size Adjustment Option" below.

Yuanta Securities (Hong Kong) Company Limited and China Everbright Securities (HK) Limited are the Joint Lead Managers of the Placing. 96,000,000 Placing Shares, together with up to 12,000,000 Reserved Shares not taken up by Qualifying Singyes Solar Shareholders under the Preferential Offering and reallocated to the Placing, which will be conditionally placed with professional, institutional investors and other investors.

The Placing is fully underwritten by the Underwriters, subject to the terms and conditions of the Placing Underwriting Agreement. Pursuant to the Placing, it is expected that the Placing Underwriters, on behalf of our Company, will conditionally place the Placing Shares at the Offer Price to selected individual, professional, institutional investors and other investors in Hong Kong. Professional, institutional investors and other investors generally include brokers, dealers, companies, high net worth individuals and companies (including fund managers) whose ordinary business involves dealings in shares and other securities and corporate entities which regularly invest in shares and other securities.

Allocation of the Placing Shares to investors pursuant to the Placing will be effected in accordance with the "book-building" process, undertaken by the Placing Underwriters. Final allocation of the Placing Shares pursuant to the Placing is based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to buy further and/or hold or sell its Placing Shares after the Listing. Such allocation is generally intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a broad shareholder base for the benefit of our Company and its Shareholders as a whole.

THE PREFERENTIAL OFFERING

In order to enable shareholders of Singyes Solar to participate in the Share Offer on a preferential basis as to allocation only, subject to the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares on the GEM of the Stock Exchange and the Share Offer becoming unconditional, Qualifying Singyes Solar Shareholders are being invited to apply for an aggregate of 12,000,000 Reserved Shares (representing 2.5% of the enlarged share capital of our Company upon completion of the Share Offer assuming the Offer Size Adjustment Option is not exercised) in the Preferential Offering on the basis of an Assured Entitlement of one Reserved Share for every whole multiple of 69 Singyes Solar Shares held by them at 4:30 p.m. on the Record Date. Holders of less than 69 Singyes Solar Shares at 4:30 p.m. on the Record Date will not be entitled to apply for the Reserved Shares. The Shares are being offered out of the Placing Shares under the Placing. Strong Eagle, a major Qualifying Singyes Solar Shareholder which holds 36.7% of Singyes Solar shares, intends to exercise its Assured Entitlement in full and subscribe for approximately 4,432,000 Reserved Shares under the Preferential Offering.

The Assured Entitlement may represent Shares not in a multiple of a full board lot of 4,000 Shares and dealings in odd lot Shares may be at below their prevailing market price.

A **BLUE** Application Form is being despatched to each Qualifying Singyes Solar Shareholder with an Assured Entitlement together with a copy of this prospectus. Qualifying Singyes Solar Shareholders are permitted to apply for a number of Reserved Shares which is greater than, less than or equal to, their Assured Entitlement under the Preferential Offering. A valid application in respect of a number of Reserved Shares less than or equal to a Qualifying Singyes Solar Shareholder's Assured Entitlement will be accepted in full, subject to the terms and conditions set out in this prospectus and the **BLUE** Application Forms.

Where a Qualifying Singyes Solar Shareholder applies for a number of Reserved Shares which is greater than his or her Assured Entitlement, his or her Assured Entitlement will be satisfied in full (subject to terms and conditions mentioned above and set forth on the **BLUE** application form), but the excess portion of such application will only be met to the extent that there are sufficient available Reserved Shares resulting from other Qualifying Singyes Solar Shareholders with an Assured Entitlement declining to take up all or some of their Assured Entitlements. The Joint Lead Managers, for themselves and on behalf of the other Underwriters, will allocate any Reserved Share not taken up by Qualifying Singyes Solar Shareholders first to satisfy the excess applications for the Reserved Shares from Qualifying Singyes Solar Shareholders on a fair and reasonable basis. Such allocation basis is consistent with the allocation basis commonly used in the case of over-subscriptions in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications of excess Reserved Shares. Any remaining Reserved Shares will be reallocated to the Placing. There is no guarantee that the above allocation will result in any or all excess applications for Reserved Shares to be satisfied.

Holders of shares in Singyes Solar with their shares held by a nominee company (including HKSCC Nominees) should note that the board of the directors of Singyes Solar will regard the nominee company (including HKSCC Nominees) as a single Singyes Solar shareholder according to the register of members of Singyes Solar. Accordingly, holders of Singyes Solar shares should note that the aforesaid arrangement in relation to the allocation of the excess Reserved Shares will not be extended to beneficial owners individually. The Shareholders with their Shares held by a nominee company are advised to consider whether they would like to arrange registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

If an application is made for a number of Reserved Shares greater than or less than the Assured Entitlement of a Qualifying Singyes Solar Shareholder, the applicant is recommended to apply for a number in one of the multiples of full board lots stated in the table of multiples and payments on the back page of the **BLUE** Application Form which also states the amount of remittance payable on application for each multiple of full board lots of Reserved Shares. If such applicant does not follow this recommendation when applying for greater than or less than the Assured Entitlement, he/she/it must calculate the correct amount of remittance payable on application for the number of Reserved Shares applied for by using the formula set out below the table of multiples and payments on the back page of the **BLUE** Application Form. Any application not accompanied by the correct amount of application monies will be treated as invalid in its entirety and no Reserved Share will be allotted to such applicant.

Assured Entitlements of Qualifying Singyes Solar Shareholders to Reserved Shares are not transferable and there will be no trading in nil-paid entitlements on the Stock Exchange. The Joint Lead Managers have the authority to reallocate all or any of the Reserved Shares not taken up by the Qualifying Singyes Solar Shareholders to the Placing.

The procedures for application under, and the terms and conditions of, the Preferential Offering are set out in the section headed "How to apply for Public Offer Shares and Reserved Shares" of this Prospectus and on the **BLUE** Application Forms.

The documents to be issued in connection with the Share Offer will not be registered under applicable securities legislation of any jurisdiction other than Hong Kong. Accordingly, no Reserved Shares are being offered to Overseas Singyes Solar Shareholders under the Preferential Offering and no **BLUE** Application Forms will be sent to such persons. Applications will not be accepted from Overseas Singyes Solar Shareholders or persons who are acting for the benefit of Overseas Singyes Solar Shareholders.

RE-ALLOCATION OF THE OFFER SHARES BETWEEN PLACING AND PUBLIC OFFER

The allocation of the Offer Shares between the Placing and the Public Offer is subject to reallocation on the following basis:

(a) if the number of Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the total number of Shares available for subscription under the Public Offer will be increased to 36,000,000 Shares, representing 30% of the number of the Offer Shares initially available for subscription under the Share Offer;

(b) if the number of Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the number of Shares available for subscription under the Public Offer will be increased to 48,000,000 Shares, representing 40% of the number of the Offer Shares initially available for subscription under the Share Offer; and

(c) if the number of Shares validly applied for under the Public Offer represents 100 times or more the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the number of Shares available for subscription under the Public Offer will be increased to 60,000,000 Shares, representing 50% of the number of the Offer Shares initially available for subscription under the Share Offer.

In all cases, the number of Offer Shares allocated to the Placing will be correspondingly reduced. The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the sole and absolute discretion of the Joint Lead Managers.

The Joint Lead Managers will ensure that the final allocation is such that no more than 50% of the Offer Shares in public hands at the time of Listing will be beneficially owned by the three largest public Shareholders in compliance with Rule 11.23(8) of the GEM Listing Rules.

OFFER SIZE ADJUSTMENT OPTION

The Joint Lead Managers (for themselves and on behalf of the Placing Underwriters) can exercise the Offer Size Adjustment Option granted to the Placing Underwriters by our Company to cover over-allocations under the Share Offer. Pursuant to the Offer Size Adjustment Option, the Joint Lead Managers (for themselves and on behalf of the Placing Underwriters) shall have the right to require our Company to allot and issue, at the Offer Price, up to an aggregate of 18,000,000 additional Shares, representing 15.0% of the Offer Shares initially available under the Share Offer. The Offer Size Adjustment Option can only be exercised on or before 5:00 p.m. on the Business Day immediately before the date of allotment announcement of results and the basis of allocation of the Public Offer Shares on writing, otherwise it will lapse. The Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option will not be used for price stabilisation purpose and is not subject to the Securities and Futures (Price Stabilising) Rules (Chapter 571W of the Laws of Hong Kong). Any such additional Shares may be issued to cover any excess demand in the Placing and in the event that the Offer Size Adjustment Option is exercised, the Joint Lead Managers in their sole discretion may decide to whom and the proportions in which the additional Shares will be allotted.

If the Offer Size Adjustment Option is exercised in full, the additional Shares will represent approximately 3.6% of the enlarged issued share capital of our Company in issue following completion of the Share Offer and the exercise of the Offer Size Adjustment Option.

The additional net proceeds that we would receive if the Offer Size Adjustment Option is exercised in full (at the Offer Price of HK$1.0 per Share) would be to be approximately HK$18.0 million.

We intend to apply such additional net proceeds in the same proportions as disclosed in "Future plans and use of proceeds" of this prospectus.

Our Company will disclose in its allotment results announcement whether and to what extent the Offer Size Adjustment Option has been exercised, and will confirm in the announcement that, if the Offer Size Adjustment Option is not exercised by that time, then the Offer Size Adjustment Option will have lapsed and cannot be exercised on any future date. The allotment results announcement will be published on the Stock Exchange's website at *www.hkexnews.hk* and our Company's website at *www.syeamt.com*.

PRICE PAYABLE ON APPLICATION

The Offer Price is HK$1.0 per Offer Share. Applicants are required to pay, on application, Offer Price of HK$1.0 per Offer Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy, amounting to a total of HK$4,040.31 per board lot of 4,000 Offer Shares. Further details are set out in the section headed ''How to apply for Public Offer Shares and Reserved Shares'' of this prospectus.

CONDITIONS OF THE SHARE OFFER

The Share Offer will be conditional upon, among others:

(i) the final decisions of the board of directors of Singyes Solar and our Board to proceed with the Spin-off;

(ii) the Listing Division of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and the Shares to be issued as described in this prospectus on GEM;

(iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Joint Lead Managers (for themselves and on behalf of the Underwriters) in all respects. This requires that: (i) the Underwriting Agreements not having been terminated in accordance with its terms or otherwise,

in each case, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) or such other dates as the Joint Lead Managers (for themselves and on behalf of the Underwriters) may agree, but in any event not later than the 30th day after the date of this prospectus.

If such conditions are not fulfilled or waived by the Joint Lead Managers (for themselves and on behalf of the Underwriters) prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Share Offer will be published by our Company on the Stock Exchange website and our Company's website at *www.syeamt.com* immediately following such lapse.

In the above situation, we will return all application monies to applicants for Offer Shares, without interest and on the terms described in the "How to Apply for Public Offer Shares and Reserved Shares — Refund of application monies" section in this prospectus. In the meantime, we will hold all application monies in separate bank account(s) with the receiving banker(s) or other banks licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

BASIS OF ALLOCATIONS

Our Company expects to announce the level of indication of interests in the Share Offer on the website of the Stock Exchange at *www.hkexnews.hk* and our Company's website at *www.syeamt.com* on Thursday, 20 July 2017.

UNDERWRITING

The Share Offer is fully underwritten by the Underwriters under the terms of the Underwriting Agreements. These underwriting arrangements and details of the Underwriting Agreements are summarised in the section headed "Underwriting" in this prospectus.

The Joint Lead Managers will ensure that the final allocation is such that no more than 50% of the Offer Shares in public hands at the time of Listing will be beneficially owned by the three largest public Shareholders in compliance with Rule 11.23(8) at the GEM Listing Rules.

COMMENCEMENT OF DEALINGS

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. on Friday, 21 July 2017. The Shares will be traded in board lots of 4,000 Shares each.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus on GEM and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on GEM or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

In respect of the dealings in the Shares which may be settled through CCASS, investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

1. HOW TO APPLY FOR PUBLIC OFFER SHARES

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for the Public Offer Shares, you may: use a **WHITE** or **YELLOW** Application Form.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Lead Managers and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY FOR PUBLIC OFFER SHARES

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company, the Sole Bookrunner or their respective agents and nominees may accept it at their discretion, and on any conditions they thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four.

Unless permitted by the GEM Listing Rules, you cannot apply for any Public Offer Shares if you:

- are an existing beneficial owner of Shares in our Company and/any of our subsidiaries;
- are a Director or chief executive officer of our Company and/or any of its subsidiaries;
- are a connected person or core connected person (as defined in the GEM Listing Rules) of our Company or will become a connected person or core connected person of our Company immediately upon completion of the Share Offer;
- are associate a close associate (as defined in the GEM Listing Rules) of any of the above; and/or
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR THE PUBLIC OFFER SHARES

Which application channel to use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form.

Where to collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 30 June 2017 until 12:00 noon on Wednesday, 12 July 2017 from:

(a) the following address of the Underwriters:

Yuanta Securities (Hong Kong) Company Limited
23/F, Tower 1
Admiralty Centre
18 Harcourt Road
Admiralty
Hong Kong

China Everbright Securities (HK) Limited
24th Floor, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

(b) or any of the following branches of Industrial and Commercial Bank of China (Asia) Limited:

District	Branch	Address
Hong Kong	Sheung Wan Branch	Shop F, G/F, Kai Tak Commercial Building, 317-319 Des Voeux Road Central, Sheung Wan, Hong Kong
	Aberdeen Branch	Shop 7A, G/F, Site 1, Aberdeen Centre, Hong Kong
	Quarry Bay Branch	Shop SLG1, Sub-Lower Ground Floor, Westlands Gardens, Nos. 2-12, Westlands Road, Quarry Bay
Kowloon	Lai Chi Kok Branch	Shop G06, G/F, Cheung Sha Wan Plaza, 833 Cheung Sha Wan Road, Lai Chi Kok, Kowloon
	Wong Tai Sin Branch	Shop 128, Level One, Wong Tai Sin Plaza, 103 Ching Tak Street, Wong Tai Sin, Kowloon
	Ho Man Tin Branch	G/F, Tsan Yung Mansion, No. 70 Waterloo Road, Ho Man Tin, Kowloon
	Mei Foo Branch	Shop N95A, 1/F, Mount Sterling Mall, Mei Foo Sun Chuen, Kowloon
New Territories	Yan Ching Street Branch	Shops 4 and 5, G/F, Tuen Mun Centre, 11 Yan Ching Street, Tuen Mun, New Territories
	Kwai Chung Branch	Unit G02, Tower A, Regent Centre, 63 Wo Yi Hop Road, Kwai Chung, New Territories
	Sheung Shui Branch	Shop 2, G/F, San Fung Building, No.33 San Fung Avenue, Shek Wu Hui, Sheung Shui, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 30 June 2017 until 12:00 noon on Wednesday, 12 July from:

(i) the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or

(ii) your stockbroker.

Time for lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "ICBC (Asia) Nominee Limited — Singyes New Materials Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the sub-branches of the receiving bank listed above, at the following times:

Friday, 30 June 2017 — 9:00 a.m. to 5:00 p.m.
Monday, 3 July 2017 — 9:00 a.m. to 5:00 p.m.
Tuesday, 4 July 2017 — 9:00 a.m. to 5:00 p.m.
Wednesday, 5 July 2017 — 9:00 a.m. to 5:00 p.m.
Thursday, 6 July 2017 — 9:00 a.m. to 5:00 p.m.
Friday, 7 July 2017 — 9:00 a.m. to 5:00 p.m.
Saturday, 8 July 2017 — 9:00 a.m. to 1:00 p.m.
Monday, 10 July 2017 — 9:00 a.m. to 5:00 p.m.
Tuesday, 11 July 2017 — 9:00 a.m. to 5:00 p.m.
Wednesday, 12 July 2017 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 12 July 2017, the last application day or such later time as described in the paragraph headed "9. Effect of bad weather on the opening of the applications lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form, among other things, you (or if you are joint applicants, each of your jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- undertake to execute all relevant documents and instruct and authorise our Company, the Sole Sponsor, the Joint Bookrunners, and/or the Joint Lead Managers (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Bye-laws;

- agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Bye-laws;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

- confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

- confirm that you are aware of the restrictions on the Share Offer in this prospectus;

- agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, or their respective directors, officers, employees, partners, agents, advisers or any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);

- undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participate in the Placing;

- agree to disclose to our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Joint Bookrunners, the Sole Sponsor, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

- if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

- agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

- agree that your application will be governed by the laws of Hong Kong;

- represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

- warrant that the information you have provided is true and accurate;

- agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;

- authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;

- authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;

- declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

- understand that our Company, the Sole Sponsor, the Joint Bookrunners and the Joint Lead Managers, any of their respective directors, officers or representatives or any other person or party involved in the Share Offer will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;

- (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form by you or by any one as your agent or by any other person; and

- (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form; and (ii) you have due authority to sign the Application Form on behalf of that other person as their agent.

Additional instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. HOW MANY APPLICATIONS CAN YOU MAKE FOR PUBLIC OFFER SHARES

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked ‘‘For nominees’’ you must include:

- an account number; or
- some other identification code, for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form is made for your benefit. If an application is made by an unlisted company and:

(a) the principal business of that company is dealing in securities; and

(b) you exercise statutory control over that company,

then the application will be treated as being for your benefit.

‘‘Unlisted company’’ means a company with no equity securities listed on the Stock Exchange.

‘‘Statutory control’’ means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

6. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for the Public Offer Shares.

You must pay the Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 4,000 Public Offer Shares. Each application in respect of more than 4,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed ''Structure and conditions of the Share Offer — Offer Price'' of this prospectus.

7. HOW TO APPLY FOR THE RESERVED SHARES

An application for the Reserved Shares under the Preferential Offering may only be made by Qualifying Singyes Solar Shareholders using a **BLUE** Application Form which is being despatched to the Qualifying Singyes Solar Shareholders by the Company. Using the **BLUE** Application Form, the Qualifying Singyes Solar Shareholders may apply on an assured basis for a number of Reserved Shares less than or equal to their Assured Entitlement, which will be specified on their individual **BLUE** Application Form. The Qualifying Singyes Solar Shareholders may also apply for a number of Reserved Shares in excess of their Assured Entitlement specified on their individual **BLUE** Application Form.

Qualifying Singyes Solar Shareholders who require a replacement **BLUE** Application Form should contact Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong or on its hotline at 2980 1333.

If you hold your Singyes Solar Shares on the Record Date in CCASS indirectly through a broker or custodian and you wish to participate in the Preferential Offering, you should instruct the broker or custodian to apply for the Reserved Shares on your behalf no later than the deadline as set by HKSCC or HKSCC Nominees. In order to meet the deadline set by HKSCC, you should check with your broker/ custodian for the timing on the processing of your instruction, and submit your instruction to your broker/custodian as required by them.

If you hold your Singyes Solar Shares on the Record Date in CCASS directly as a CCASS Investor Participant and wish to participate in the Preferential Offering, you should give your instruction to HKSCC via the CCASS Phone System or CCASS Internet System no later than the deadline as set by HKSCC or HKSCC Nominees.

Despatch of BLUE Application Forms

A **BLUE** Application Form with a copy of this prospectus will be despatched to you by the Company if you are a Qualifying Singyes Solar Shareholder with an Assured Entitlement. This is expected to be on or around Friday, 7 July 2017.

How to complete the BLUE Application Form

There are detailed instructions on each **BLUE** Application Form. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque(s) or banker's cashier order(s) to you at your own risk at the address stated in the **BLUE** Application Form.

All Qualifying Singyes Solar Shareholders who would like to apply for Reserved Shares must complete the **BLUE** Application Form. In the **BLUE** Application Form, the Qualifying Singyes Solar Shareholders will be required to, *inter alia*, fill in the total number of Reserved Shares they are applying for.

If your application is made through a duly authorised attorney, the Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) (or its agent(s), and nominee(s)) as agent for the Company may accept it at their discretion and subject to any conditions they think fit, including production of evidence of the authority of your attorney.

In order for the **BLUE** Application Form to be valid, the Qualifying Singyes Solar Shareholders should complete the **BLUE** Application Form and then deposit the completed **BLUE** Application Form, with one cheque or one banker's cashier order as payment attached, in the special collection boxes provided at Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong before the latest time for lodgement of the **BLUE** Application Forms, as specified in the sub-paragraph headed "When to apply for Reserved Shares" below.

If the application is accepted, the Reserved Shares will be issued and registered in the name of the relevant Qualifying Singyes Solar Shareholder.

Effect of making any application using a BLUE Application Form

You should note that by completing and submitting the **BLUE** Application Form, among others, you:

- instruct and authorise each of the Company, the Sole Sponsor and/or the Joint Lead Managers (or their respective agents or nominees) as agents of the Company to execute any transfer forms or other documents on your behalf and to do on your behalf all things necessary to register any Reserved Shares allocated to you in your name(s) as required by the Bye-laws (including the registration of the Reserved Shares allocated to you in your name(s) on the Company's branch register of members in Hong Kong), and otherwise to give effect to the arrangements described in this prospectus and the **BLUE** Application Form;

- undertake to sign all documents and to do all things necessary to enable you to be registered as the holder of the Reserved Shares allocated to you, and as required by the Bye-laws;

- confirm that you have only relied on the information and representations in this prospectus and the **BLUE** Application Form in making your application and will not rely on any other information and representations save as set forth in this prospectus, the **BLUE** Application Form and any supplement thereto;
- agree (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation or other than as provided in this prospectus;
- agree to disclose to the Company, its registrar, the Sole Sponsor, the Joint Lead Managers, the Underwriters and their respective advisors and agents personal data and any information which they require about you;
- warrant that, in making an application, you or any person(s) on whose behalf you may be acting is/are Qualifying Singyes Solar Shareholder(s);
- represent, warrant and undertake that you are not within the United States and are not a United States person (within the meaning of Regulation S under the United States Securities Act of 1933, as amended); and
- agree with the Company and each Shareholder that the Shares are freely transferable by the holders thereof.

How many applications you may make

You may not make more than one application by applying on a **BLUE** Application Form.

All of your applications for Reserved Shares will be rejected as multiple applications if you make more than one application on a **BLUE** Application Form.

When to apply for Reserved Shares

Completed **BLUE** Application Forms, with payment attached, must be lodged by 12:00 noon on Wednesday, 12 July 2017 or, if the application lists are not open on that day, by the time and date stated in the paragraph headed "Effect of bad weather on the opening of application lists" below.

Your completed **BLUE** Application Form, with one cheque or one banker's cashier order attached, should be deposited in the special collection boxes provided at Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong at the following times:

Friday, 7 July 2017 — 9:00 a.m. to 5:00 p.m.
Monday, 10 June 2017 — 9:00 a.m. to 5:00 p.m.
Tuesday, 11 July 2017 — 9:00 a.m. to 5:00 p.m.
Wednesday, 12 July 2017 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 12 July 2017, except as provided in the paragraph headed "Effect of bad weather on the opening of the application lists" below.

8. HOW MUCH ARE THE RESERVED SHARES

You must pay the Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Reserved Shares under the terms set forth in the **BLUE** Application Forms.

Each of the **BLUE** Application Forms has a table showing the exact amount payable for certain multiples of the Reserved Shares. Your payment must be by one cheque or one banker's cashier order and must comply with the terms of the **BLUE** Application Forms.

If your application is successful, brokerage is paid to participants of the Stock Exchange and the SFC transaction levy are paid to the SFC and the trading fee is paid to the Stock Exchange. If your application is unsuccessful, appropriate refund payment (including the brokerage, SFC transaction levy and Stock Exchange trading fee) will be made to you without interests. Details of the procedure for refund are set out in the section headed "Despatch and collection of Share certificate(s) and/or refund cheque(s) and deposit of Share certificates into CCASS".

9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 12 July 2017. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at anytime between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, 12 July 2017, or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected timetable" in this prospectus, an announcement will be made in such event.

10. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED THE RESERVED SHARES

Full details of the circumstances in which you will not be allocated Reserved Shares are set out in the notes attached to the **BLUE** Application Form, and you should read them carefully. You should note in particular the following situations in which Reserved Shares will not be allocated to you:

- at the discretion of the Company, the Sole Sponsor and the Joint Lead Managers or their respective agents or nominees, your application is rejected.

  The Company, the Sole Sponsor and the Joint Lead Managers (for themselves and on behalf of the Underwriters) (as agents for the Company) and their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application. The Company, the Sole Sponsor, the Joint Lead Managers, and the Underwriters in their respective capacity as agents for the Company, and their respective agents and nominees, do not have to give any reasons for any rejection or acceptance.

- your application may be rejected if:

  — it is a multiple or suspected multiple application;

  — your application form is not filled in correctly in accordance with the instructions;

  — your payment is not made correctly;

  — you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured on its first presentation;

  — you or the person for whose benefit you are applying have applied for or taken up or indicated an interest for or have received or have been or will be placed or allocated (including conditionally and/or provisionally) the Shares under the Placing (except for the Reserved Shares under the Preferential Offering);

  — the Company is of the view that by accepting your application, it would violate applicable securities laws, rules or regulations or other laws, rules or regulations of the jurisdiction, in which your application is received or your address as set out in the application form.

- your application may not be accepted if:

  — the Underwriting Agreements do not become unconditional; or

  — the Underwriting Agreements are terminated in accordance with their respective terms.

- if your application is revoked:

  By completing and submitting a **BLUE** Application Form, you agree that your application cannot be revoked on or before the fifth day after the time of the opening of the application lists. This agreement will take effect as a collateral contract with the Company, and will become binding when you lodge your application form. This collateral contract will be in consideration of the Company agreeing that it will not offer any of the Placing Shares to any person before the fifth day after the time of the opening of the application lists except by means of the procedures referred to in this prospectus.

  Your application may only be revoked earlier than the fifth day after the time of the opening of the application lists if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provision) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provision) Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus. If your application has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the announcement of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or the results of the ballot, respectively.

- if the allocation of the Reserved Shares is void:

  Your allocation of the Reserved Shares will be void if the Listing Division of the Stock Exchange does not grant permission to list the Shares either:

  — within three weeks from the closing of the application lists; or

  — within a longer period of up to six weeks if the Listing Division of the Stock Exchange notifies the Company of that longer period within three weeks of the closing of the application lists.

11. PUBLICATION OF RESULTS

The Company expects to announce the indication of the levels of interest in the Placing, results of applications and basis of allocation of Shares under the Public Offer and the Preferential Offering on or before Thursday, 20 July 2017 in the manner specified below:

— on the Stock Exchange's website (*www.hkexnews.hk*); and

— on the website of the Company (*www.syeamt.com*) for at least five consecutive days

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer and the Preferential Offering will be available at the times and date and in the manner specified below:

(a) in the announcement to be posted on our website at *www.syeamt.com* and the Stock Exchange's website at *www.hkexnews.hk* by no later than 9:00 a.m. on Thursday, 20 July 2017;

(b) from the designated results of allocations website at *www.tricor.com.hk/ipo/result* with a ''search by ID'' function on a 24-hour basis from 8:00 a.m. on Thursday, 20 July 2017 to 12:00 midnight on Wednesday, 26 July 2017;

(c) by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 20 July 2017 to Tuesday, 25 July 2017 (excluding Saturday, Sunday and Public Holiday); and

(d) in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 20 July 2017 to Monday, 24 July 2017 at all the receiving bank's designated sub-branches.

If our Company accepts your offer to purchase (in whole or in part), which we may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed ''Structure and Conditions of the Share Offer'' in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. DESPATCH AND COLLECTION OF SHARE CERTIFICATE(S) AND/OR REFUND CHEQUE(S)

You will receive one share certificate for all Public Offer Shares or Reserved Shares allotted to you under the Public Offer or the Preferential Offering (except pursuant to applications made on **YELLOW** Application Forms as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE**, **YELLOW** or **BLUE** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

(a) share certificate(s) for all the Public Offer Shares or Reserved Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

(b) refund cheque(s) crossed ''Account Payee Only'' in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer or the Preferential Offering, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the final Offer Price and the Offer Price per Offer Share paid on application in the event that the final Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Thursday, 20 July 2017. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 21 July 2017 provided that the Share Offer has become unconditional and the right of termination described in the section headed ''Underwriting — Public Offer underwriting arrangements and expenses — Grounds for termination'' in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(a) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Branch Share Registrar,

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

from 9:00 a.m. to 1:00 p.m. on Thursday, 20 July 2017 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Thursday, 20 July 2017, by ordinary post and at your own risk.

(b) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Thursday, 20 July 2017, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 20 July 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

(i) If you apply through a designated CCASS participant (other than a CCASS investor participant)

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

(ii) If you are applying as a CCASS investor participant

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in ''Publication of Results'' above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 20 July 2017 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(c) If you apply using a BLUE Application Form

If you have applied for 1,000,000 Reserved Shares or more, and have provided all information required on your **BLUE** Application Form that you will collect your share certificate(s) and, or, refund cheque, if any, in person, you may collect it, them, in person from:

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

between 9:00 a.m. and 1:00 p.m. on the date notified by the Company as the date of despatch of share certificates and, or, refund cheques. This is expected to be on or before Thursday, 20 July 2017.

If you are an individual who opts for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives, if applicable, must produce, at the time of collection, evidence of identity acceptable to Tricor Investor Services Limited. If you do not collect your share certificate(s) and/or refund cheque, if any, in person within the time specified for collection, it/they will be sent to the address on your application form shortly after the specified time on the date of despatch by ordinary post and at you own risk. If you have applied for 1,000,000 Reserved Shares or more but have not provided all information required on your application form, or if you have applied for less than 1,000,000 Reserved Shares, or if your application is rejected, not accepted or accepted in part only, or if the conditions of the Share Offer described under the paragraph headed "Conditions of the Share Offer" in the section headed "Structure and conditions of the Share Offer" in this prospectus are not fulfilled in accordance with their terms, or if any application is revoked or any allotment pursuant thereto has become void, then your share certificate(s) and/or refund cheque, if any, in respect of the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Stock Exchange trading fee, if any, without interest, will be sent to the address on your application form on the date of despatch by ordinary post and at your own risk.

Applicants will receive one share certificate each for all the Reserved Shares allocated.

13. REFUND OF APPLICATION MONIES

If:

- your application is partially unsuccessful;
- your application is wholly unsuccessful;
- the conditions of the Placing are not fulfilled in accordance with the section entitled "Structure and Conditions of the Placing" in this prospectus;
- any application is revoked or any allocation pursuant thereto has become void; or
- the conditions of the Public Offer are not fulfilled in accordance with "Structure and conditions of the Share Offer" in this prospectus,

the Company will, in each case, refund your application monies, including the 1.0% brokerage fee, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy that you paid to the extent attributable to the surplus application monies. The Company will not pay interest on any refunded amount. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

Any refund of your application monies will be made on Thursday, 20 July 2017.

14. COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Friday, 21 July 2017. The Shares will be traded in board lots of 4,000 Shares each.

15. SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares issued and to be issued as mentioned in this prospectus and the Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or on such other date determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect then. All necessary arrangements have been made for the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this Prospectus, received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong,

22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

30 June 2017

The Directors
China Singyes New Materials Holdings Limited
Octal Capital Limited

Dear Sirs,

We set out below our report on the financial information of China Singyes New Materials Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") comprising the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2014, 2015 and 2016 (the "**Relevant Periods**"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2014, 2015 and 2016, together with the notes thereto (the "**Financial Information**"), prepared on the basis of presentation set out in note 2.1 of Section II below, for inclusion in the prospectus of the Company dated 30 June 2017 (the "**Prospectus**") in connection with the listing of the shares of the Company (the "**Listing**") on the Growth Enterprise Market ("**GEM**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company was incorporated in Bermuda as a company with limited liability on 14 November 2014. Pursuant to a group reorganisation as set out in the paragraph headed "History, reorganisation and group structure" in the Prospectus (the "**Reorganisation**"), which was completed on 12 February 2015, the Company became the holding company of the other subsidiaries comprising the Group. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, no statutory financial statements have been prepared for the Company, as it is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in note 1 of Section II below. All companies now comprising the Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies now comprising the Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated and/or established. Details of their statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Company (the "**Directors**") have prepared the consolidated financial statements of the Group (the "**Underlying Financial Statements**") in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**"). The Underlying Financial Statements for each of the years ended 31 December 2014, 2015 and 2016 were audited by us in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements and the Financial Information that give a true and fair view in accordance with IFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements and the Financial Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion on the Financial Information and to report our opinion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2.1 of Section II below, the Financial Information gives a true and fair view of the financial position of the Group and the Company as at 31 December 2014, 2015 and 2016, and of the financial performance and cash flows of the Group for each of the Relevant Periods.

I. FINANCIAL INFORMATION

Consolidated statements of profit or loss and other comprehensive income

		Year ended 31 December		
		2014	**2015**	**2016**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
REVENUE	*4*	44,805	60,477	90,887
Cost of sales		(30,524)	(36,581)	(56,084)
Gross profit		14,281	23,896	34,803
Other income and gains	*5*	14	1,089	1,065
Selling and distribution expenses		(5,211)	(5,633)	(8,107)
Administrative expenses		(6,758)	(7,771)	(17,932)
Other expenses		(1,518)	(1,968)	(1,000)
Interest expenses		(106)	(205)	—
PROFIT BEFORE TAX	*6*	702	9,408	8,829
Income tax expense	*9*	(313)	(1,712)	(2,448)
PROFIT FOR THE YEAR		389	7,696	6,381
OTHER COMPREHENSIVE INCOME:				
Other comprehensive income not to be reclassified to profit or loss in subsequent years:				
Exchange differences on translation of financial statements		—	9	(134)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		389	7,705	6,247
Profit attributable to:				
Owners of the Company		389	7,696	6,381
Total comprehensive income attributable to:				
Owners of the Company		389	7,705	6,247
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY				
Basic and diluted	*10*	N/A	N/A	N/A

I. FINANCIAL INFORMATION *(Continued)*

Consolidated statements of financial position

		31 December		
		2014	**2015**	**2016**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*11*	25,367	45,471	39,889
Payments in advance	*12*	12,333	121	16
Deferred tax assets	*20*	523	611	646
Total non-current assets		38,223	46,203	40,551
CURRENT ASSETS				
Inventories	*13*	13,600	8,632	11,896
Trade and bills receivables	*14*	28,147	24,917	60,073
Prepayments, deposits and other receivables	*15*	5,925	2,815	6,421
Pledged bank balances	*16*	—	20	20
Cash and cash equivalents	*16*	2,662	7,166	7,523
Total current assets		50,334	43,550	85,933
CURRENT LIABILITIES				
Trade payables	*17*	6,883	14,492	23,104
Other payables and accruals	*18*	25,504	14,661	21,948
Interest-bearing bank loans	*19*	4,500	—	—
Tax payable		235	1,352	1,801
Provision	*21*	656	764	1,192
Total current liabilities		37,778	31,269	48,045
NET CURRENT ASSETS		12,556	12,281	37,888
TOTAL ASSETS LESS CURRENT LIABILITIES		50,779	58,484	78,439
NON-CURRENT LIABILITIES				
Deferred income	*22*	—	—	812
Net assets		50,779	58,484	77,627
EQUITY				
Equity attributable to owners of the parent				
Issued capital	*23*	1	1	1
Reserves	*24*	50,778	58,483	77,626
Total equity		50,779	58,484	77,627

I. FINANCIAL INFORMATION *(Continued)*

Consolidated statements of changes in equity

	Attributable to owners of the Company							
	Issued capital *RMB'000* *(note 23)*	Share premium account* *RMB'000* *(note 24(a))*	Contributed surplus* *RMB'000* *(note 24(b))*	Statutory reserve fund* *RMB'000* *(note 24(c))*	Capital reserves* *RMB'000* *(note 24(d))*	Exchange fluctuation reserve* *RMB'000*	Retained Profits* *RMB'000*	Total equity *RMB'000*
At 1 January 2014	—	—	20,000	207	406	—	(224)	20,389
Profit and total comprehensive income for the year	—	—	—	—	—	—	389	389
Issue of shares	1	—	—	—	—	—	—	1
Capital contribution from the then parent company of a subsidiary^	—	—	30,000	—	—	—	—	30,000
At 31 December 2014 and 1 January 2015	1	—	50,000	207	406	—	165	50,779
Profit for the year	—	—	—	—	—	—	7,696	7,696
Other comprehensive income for the year: Exchange differences on translation of financial statements	—	—	—	—	—	9	—	9
Total comprehensive income for the year	—	—	—	—	—	9	7,696	7,705
Transfer from retained profits	—	—	—	1,111	—	—	(1,111)	—
Distribution to the then controlling shareholder of a subsidiary	—	—	(55,161)	—	—	—	—	(55,161)
Waiver of shareholder's debt	—	—	—	—	55,161	—	—	55,161
At 31 December 2015 and 1 January 2016	1	—	(5,161)	1,318	55,567	9	6,750	58,484
Profit for the year	—	—	—	—	—	—	6,381	6,381
Other comprehensive income for the year: Exchange differences on translation of financial statements	—	—	—	—	—	(134)	—	(134)
Total comprehensive income for the year	—	—	—	—	—	(134)	6,381	6,247
Transfer from retained profits	—	—	—	1,850	—	—	(1,850)	—
Issue of shares	—	12,896	—	—	—	—	—	12,896
At 31 December 2016	1	12,896	(5,161)	3,168	55,567	(125)	11,281	77,627

* These reserve accounts comprise the consolidated reserves in the consolidated statements of financial position.

^ Capital contribution from the then parent company represents the cash injection from Singyes Energy-saving Technologies Co., Ltd. ("**Singyes Energy-saving**") during the year ended 31 December 2014 for the payment of paid-in capital of Zhuhai Singyes Applicable Materials Company Limited ("**Singyes Applicable Materials**").

I. FINANCIAL INFORMATION *(Continued)*

Consolidated statements of cash flows

		Year ended 31 December		
		2014	**2015**	**2016**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		702	9,408	8,829
Adjustments for:				
Depreciation	*11*	3,080	3,425	5,058
Impairment loss on property, plant and equipment	*11*	1,260	675	—
Impairment loss on trade receivables	*14*	176	1,201	924
Unrealised foreign exchange losses		—	62	98
Loss of disposal of property, plant and equipment	*6*	—	—	47
Bank interest income	*5*	(8)	(22)	(17)
Deferred income released to profit or loss	*5*	—	—	(76)
Interest expenses	*6*	106	205	—
		5,316	14,954	14,863
Decrease/(increase) in inventories		(8,634)	4,968	(3,264)
Decrease/(increase) in trade and bills receivables		(8,424)	2,029	(36,080)
Decrease/(increase) in prepayments, deposits and other receivables		(2,914)	3,109	(3,606)
Increase in trade payables		1,025	7,609	8,612
Increase/(decrease) in other payables and accruals		23,175	(11,862)	8,331
Increase in provision for product warranties, net		383	108	428
Cash generated from/(used in) operations		9,927	20,915	(10,716)
Income tax paid		(209)	(683)	(2,034)
Net cash flows from/(used in) operating activities		9,718	20,232	(12,750)

I. FINANCIAL INFORMATION *(Continued)*

Consolidated statements of cash flows *(Continued)*

		Year ended 31 December		
		2014	**2015**	**2016**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment		(13,841)	(11,215)	(3,181)
Decrease in amounts due from related parties		8,465	—	—
Decrease in an amount due from the parent company		—	1	—
Placement of pledged deposits		—	(20)	—
Proceeds from disposal of items of property, plant and equipment		—	—	970
Receipt of government grants related to assets		—	—	888
Interest received		8	22	17
Net cash flows used in investing activities		(5,368)	(11,212)	(1,306)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of shares		—	—	12,896
Capital contribution from the then parent company		30,000	—	—
Distribution to the then parent company	*24(b)*	—	(55,161)	—
Advances from the parent company	*24(d)*	—	55,161	—
Increase/(decrease) in amounts due to related parties		(36,986)	180	1,651
Proceeds from bank loans		5,000	—	—
Repayment of bank loans		(500)	(4,500)	—
Interest paid		(106)	(205)	—
Net cash flows from/(used in) financing activities		(2,592)	(4,525)	14,547

I. FINANCIAL INFORMATION *(Continued)*

Consolidated statements of cash flows *(continued)*

		Year ended 31 December		
		2014	**2015**	**2016**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,758	4,495	491
Cash and cash equivalents at beginning of year		904	2,662	7,166
Effect of foreign exchange rate changes, net		—	9	(134)
CASH AND CASH EQUIVALENTS AT END OF YEAR		2,662	7,166	7,523
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	*16*	2,662	7,166	7,523

I. FINANCIAL INFORMATION *(Continued)*

Statements of financial position of the Company

		As at 31 December		
		2014	**2015**	**2016**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSET				
Investment in a subsidiary		—	—	—
CURRENT ASSETS				
Prepayments	*15*	—	—	3,133
Due from the parent company		1	—	—
Due from the intermediate holding company		—	—	511
Due from a subsidiary		—	58,441	74,167
Total current assets		1	58,441	77,811
CURRENT LIABILITIES				
Other payables and accruals	*18*	—	—	2,232
Due to a subsidiary		—	—	6,630
Total current liabilities		—	—	8,862
Net assets		1	58,441	68,949
Equity				
Issued capital		1	1	1
Reserves	*24*	—	58,440	68,948
Total equity		1	58,441	68,949

II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

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.

The Company is an investment holding company. During the Relevant Periods, the Company's subsidiaries were involved 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 and Smart Light-adjusting Projection System in the mainland of People's Republic of China (the "**PRC**").

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in paragraph headed "Our Corporate History and Group Structure" in the section headed "History, reorganisation and group structure" to the Prospectus.

In the opinion of 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 Singyes Solar Technologies Holdings Limited ("**Singyes Solar**") and Strong Eagle Holdings Limited ("**Strong Eagle**"), respectively. Both Top Access and Strong Eagle were incorporated in the British Virgin Islands. Singyes Solar was incorporated in Bermuda.

As at 31 December 2016, the Company had direct and indirect interests in its subsidiaries, both of which are private limited liability companies, the particulars of which are set out below:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Singyes New Materials (H.K.) Company Limited [(a)] ("**New Materials (H.K.)**")	Hong Kong 28 November 2014	USD1	100	—	Investment holding
Singyes Applicable Materials [(b)] 珠海興業應用材料科技有限公司	Mainland China 31 March 2010	RMB62,500,000	—	100	See (b) below

Notes:

(a) The statutory financial statements of Singyes New Materials (H.K.) Company Limited for the period from 28 November 2014 (the date of incorporation) to 31 December 2015 and the year ended 31 December 2016 were audited by Ernst & Young, Hong Kong.

(b) The statutory financial statements of Singyes Applicable Materials for the years ended 31 December 2014, 2015 and 2016 prepared under the Generally Accepted Accounting Principles of the PRC ("**PRC GAAP**") were audited by Ernst & Young Hua Ming LLP, certified public accountants in the PRC. Singyes Applicable Materials is principally involved in the research, manufacture, sale and installation of ITO film, Smart Light-adjusting Film, Smart Light-adjusting Glass and Smart Light-adjusting Projection System. The English name of Singyes Applicable Materials represents the best effort made by management of the Company to translate its Chinese name as it does not have official English name.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

1. CORPORATE AND GROUP INFORMATION *(Continued)*

In 2015, the Group deregistered an indirectly wholly-owned subsidiary, Weihai Singyes Applicable Materials Co., Ltd., a company established in Mainland China, which remained dormant since its establishment on 29 July 2014.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation as more fully explained in the paragraph headed "Our Corporate History and Group Structure" in the section headed "History, reorganisation and group structure" to the Prospectus, the Company became the holding company of the companies now comprising the Group on 12 February 2015. The companies now comprising the Group were under the common control of the controlling shareholders before and after the Reorganisation. Accordingly, for the purpose of this report, the Financial Information has been prepared by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group since the date when the subsidiaries first came under the common control. The consolidated statement of financial position of the Group as at 31 December 2014 has been prepared to present the assets and liabilities of the subsidiaries using the existing book values from the controlling shareholders' perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with IFRSs, which comprise all standards and interpretations approved by the IASB. All IFRSs effective for the accounting period commencing from 1 January 2016, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Financial Information throughout the Relevant Periods.

The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

3.1 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, which have been issued but are not yet effective, in this Financial Information.

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[2]
IFRS 9	*Financial Instruments*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to IFRS 15	*Clarifications to HFRS 15 Revenue from Contracts with Customers*[2]
Amendments to IAS 40	*Transfers of Investment Property*[2]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[2]
IFRS 16	*Leases*[3]
Amendments to IAS 7	*Disclosure Initiative*[1]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Annual Improvements 2014-2016 Cycle	Amendments to IFRS 12[1]
Annual Improvements 2014-2016 Cycle	Amendments to IFRS 1[2]
Annual Improvements 2014-2016 Cycle	Amendments to IAS 28[2]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined

Further information about these changes, which are expected to be applicable to the Group, is as follows:

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. During 2016, the Group performed a high-level assessment of the impact of the adoption of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future.

The expected impacts arising from the adoption of IFRS 9 are summarised as follows:

(a) The Group does not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

3.1 ISSUED BUT NOT YET EFFECTIVE IFRSs *(Continued)*

(b) IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward looking elements, for estimation of expected credit losses on its trade and other receivables upon the adoption of IFRS 9.

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licenses of intellectual property and transition. The amendments to IFRS 15 also added two practical expedients to the transition requirements of IFRS 15 for: (a) completed contracts under the full retrospective transition approach; and (b) contract modifications at transition. The Group expects to adopt IFRS 15 and amendments to IFRS 15 on 1 January 2018. Based on the current business model, the Directors do not expect the adoption of IFRS 15 would result in significant impact on the amounts reported on the Group's financial statements in the future. However, there will be additional qualitative and quantitative disclosures upon the adoption of IFRS 15.

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases — Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt IFRS 16 on 1 January 2019. Based on the Group's undiscounted operating lease commitments of RMB1,897,000 as set out in note 25 to the Financial information, the Directors are currently assessing the impact of IFRS 16 upon adoption and expect that a certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and the lease liabilities.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

3.1 ISSUED BUT NOT YET EFFECTIVE IFRSs *(Continued)*

Amendments to IAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Basis of combination

This Financial Information includes the financial statements of the Company and its subsidiaries now comprising the Group. As explained in note 2.1 above, the acquisition of subsidiaries has been accounted for using merger accounting.

The merger accounting involves incorporating the financial statement items of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party. The net assets of the combining entities or businesses using the existing book value from the perspective of the controlling shareholder of the Company. No amount is recognised in respect of goodwill or the excess of the acquirer's interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the consideration transferred and of other items at the time of common control combination.

The acquisition of subsidiaries other than those under common control has been accounted for using the acquisition method.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of combination *(Continued)*

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Except for the common control combination as mentioned above, the results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Non-controlling interests represent the equity interests in a subsidiary held by parties other than the controlling shareholder. Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced as intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value (nil to 5% of cost) over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Plant and machinery	5-10 years
Motor vehicles	5 years
Office equipment	3-5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents items of property, plant and equipment under construction, which are stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowing funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases, net of any incentives received from the lessor, are charged to profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of loans and receivables is as follows:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the assets. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Financial assets carried at amortised cost *(Continued)*

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities included trade and other payables, and interest-bearing bank loans.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing bank loans are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit or loss.

Provisions for product warranties granted by the Group on certain products are recognised based on sales and past experience of the level of repairs and returns, discounted to their present values as appropriate.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income taxs *(Continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits

(a) Pension scheme

The employees of the Group's subsidiaries in Mainland China are required to participate in a central pension scheme operated by the local government. These subsidiaries and their employees are required to make monthly contributions calculated as a percentage of the employees' wages and salaries, subject to certain ceilings and local practices set by the relevant local governments, to the central pension scheme. Other than the central pension scheme, the Group's subsidiaries in Mainland China have no legal obligation for retirement benefits beyond the contributions made. Contributions to these plans are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

(b) Housing fund

Contributions to a defined contribution housing fund administered by the Public Accumulation Funds Administration Centre in Mainland China are charged to profit or loss as incurred.

(c) Share-based compensation

The Company's intermediate holding company, Singyes Solar operates an equity-settled, share-based compensation plan for the purpose of providing incentives and rewards to eligible participants including certain employees of the Company.

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period, with a corresponding increase in equity as a contribution from the holding company. At the end of each reporting period, the Company revises its estimates of the number of options that are expected to become vested. The impact of the revision of original estimates is recognised in profit or loss and a corresponding adjustment is made to the contribution from the holding company over the remaining vesting period.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

This Financial Information is presented in RMB. The functional currency of the Company is HK$. The Group's presentation currency is RMB because the Group's principal operations are carried out in Mainland China. Each entity in the Group determines its own functional currency and items included in this Financial Information of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

The functional currencies of certain companies within the Group are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Group at the exchange rates prevailing at the end of the reporting period and their profit or loss are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

3.3 SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Corporate income tax ("CIT")

The Group's subsidiary operating in Mainland China is subject to the PRC CIT. As a result of the fact that certain matters relating to PRC CIT have not been confirmed by the relevant local tax authorities, objective estimates based on currently enacted tax laws, regulations and other related policies are required in determining the provision for PRC CIT to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact the income tax and tax provision in the period in which the final outcome is determined. The carrying amounts of PRC CIT payable at 31 December 2014, 2015 and 2016 were RMB235,000, RMB1,352,000 and RMB1,801,000, respectively.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

3.3 SIGNIFICANT ACCOUNTING ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Impairment of receivables

The provision policy for impairment of receivables of the Group is based on ongoing assessment of the recoverability and the aging analysis of the outstanding receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of those receivables, including the creditworthiness and the past collection history of each customer. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances might be required. At 31 December 2014, 2015 and 2016, impairment provision for trade receivables amounted to approximately RMB176,000, RMB1,377,000 and RMB2,301,000, respectively. Further details are given in note 14 to the Financial Information.

Useful lives and residual values of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. The depreciation amount will be adjusted if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at each financial year end date taking into account changes in circumstances.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in customers' interests or competitor actions. Management reassesses these estimates at the end of each reporting period. There was no impairment provision for inventories as at 31 December 2014, 2015 and 2016.

Deferred tax assets

Deferred tax assets should be recognised when it is probable that taxable profits will be available against which the deferred tax assets can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amounts of deferred tax assets at 31 December 2014, 2015 and 2016 were RMB523,000, RMB611,000 and RMB646,000, respectively. Further details are given in note 20 to the Financial Information.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

4. OPERATING SEGMENT INFORMATION AND REVENUE

Revenue represents the net invoiced value of goods, net of various types of government surcharges.

The Group's revenue and contribution to consolidated results are mainly derived from its sale and installation of ITO film, smart light-adjusting films, smart light-adjusting glass and smart light-adjusting projection system, 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.

Information about major customers

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

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Customer A	7,198	*	—
Customer B	—	—	11,745

* Less than 10%

Entity-wide disclosures

Information about products

The following table sets forth the total revenue from external customers by product and the percentage of total revenue by product during the Relevant Periods:

	2014		**2015**		**2016**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
ITO film	18,159	40.5	18,354	30.4	13,729	15.1
Smart Light-adjusting Film	7,200	16.1	18,621	30.8	18,882	20.8
Smart Light-adjusting Glass	18,566	41.4	8,360	13.8	26,492	29.1
Smart Light-adjusting Projection System	—	—	13,621	22.5	23,788	26.2
Others	880	2.0	1,521	2.5	7,996	8.8
	44,805	100.0	60,477	100.0	90,887	100.0

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

4. OPERATING SEGMENT INFORMATION AND REVENUE *(Continued)*

Entity-wide disclosures *(Continued)*

Geographical information

(a) Revenue from external customers

	2014		2015		2016	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Domestic — Mainland China*	44,194	98.6	59,987	99.2	89,806	98.8
Others	611	1.4	490	0.8	1,081	1.2
	44,805	100.0	60,477	100.0	90,887	100.0

* The place of domicile of the Group's principal operating subsidiary is Mainland China. The principal revenues of the Group are generated in Mainland China.

(b) Non-current assets

The Group's non-current assets are all located in Mainland China.

5. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Deferred income released to profit or loss *(note 22)*	—	—	76
Bank interest income	8	22	17
Government grants*	6	1,067	600
Foreign exchange gains	—	—	346
Sales of scrapped materials	—	—	26
	14	1,089	1,065

* There were no unfulfilled conditions or contingencies relating to these grants.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

6. PROFIT BEFORE TAX

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

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Cost of inventories sold	30,524	36,581	56,084
Employee benefit expense: (including directors' and chief executive's remuneration *(note 7)*):			
Wages and salaries and relevant benefits	7,105	8,896	9,207
Pension scheme contributions	216	321	419
	7,321	9,217	9,626
Interest on bank loans	106	205	—
Depreciation	3,080	3,425	5,058
Research costs	1,603	1,984	2,206
Minimum lease payments under operating leases	154	456	948
Auditors' remuneration	267	253	340
Listing fees expensed off	—	—	9,696
Impairment loss on property plant and equipment	1,260	675	—
Impairment loss on trade receivables	176	1,201	924
Loss of disposal of property, plant and equipment	—	—	47
Exchange losses/(gains), net	65	69	(346)

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the listing rules issued by the Stock Exchange (the "**Listing Rules**"), section 383(1)(a),(b),(c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Fees	—	—	—
Other emoluments:			
Salaries, allowances and benefits in kind	—	211	72
Pension scheme contributions	—	17	5
	—	228	77

	Fees	**Salaries, allowances and benefits in kind**	**Pension scheme contributions**	**Total remuneration**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2014				
Executive director:				
Mr. Sun Jinli*	—	—	—	—
Non-executive directors:				
Mr. Liu Hongwei	—	—	—	—
Mr. Xie Wen	—	—	—	—
	—	—	—	—
Year ended 31 December 2015				
Executive director:				
Mr. Sun Jinli*	—	211	17	228
Non-executive directors:				
Mr. Liu Hongwei	—	—	—	—
Mr. Xie Wen	—	—	—	—
	—	211	17	228

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2016				
Executive directors:				
Mr. Zhao Feng**	—	—	—	—
Mr. Zhang Chao**	—	—	—	—
Mr. Sun Jinli*	—	20	2	22
Mr. Tang Liwen***	—	52	3	55
	—	72	5	77
Non-executive directors:				
Mr. Liu Hongwei	—	—	—	—
Mr. Xie Wen**	—	—	—	—
	—	72	5	77

* Mr. Sun Jinli who acts as an executive director of the Company is also the chief executive officer of the Company.

** On 10 March 2016, Mr. Xie Wen resigned as a non-executive director of the Company. On the same day, Messrs. Zhao Feng and Zhang Chao were appointed as executive directors of the Company.

*** Mr. Tang Liwen ("Mr. Tang") was appointed as an executive director of the Company on 12 September. Mr. Tang's remuneration since his appointment as a director of the Company to 31 December 2016 was RMB55,000 and his remuneration during the year ended 31 December 2016 was RMB184,000.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods included nil, 1 and nil director, respectively, details of whose remuneration are set out in note 7 above. Details of the remuneration of the remaining 5, 4 and 4 highest paid employees who are neither a director nor chief executive of the Company during the Relevant Periods are as follows:

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	915	676	653
Pension scheme contributions	20	29	22
	935	705	675

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees Year ended 31 December		
	2014	**2015**	**2016**
Nil to HK$1,000,000	5	4	4

9. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the respective jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of Bermuda, the Group is not subject to any income tax in Bermuda.

The applicable CIT rate for Hong Kong incorporated subsidiary was 16.5% during the Relevant Periods. No provision for Hong Kong profits tax has been made as the Group had no assessable profit derived from or earned in Hong Kong during the Relevant Periods.

During the year ended 31 December 2014, the applicable CIT rate for Singyes Applicable Materials was 25%. During the years ended 31 December 2015 and 2016, Singyes Applicable Materials was entitled to a preferential PRC CIT rate of 15% as it was accredited as "High and New Technology Enterprise" ("**HNTE**") from 1 January 2015 to 31 December 2017.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

9. INCOME TAX *(Continued)*

The major components of income tax expense for the Relevant Periods are as follows:

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Current — Mainland China			
Charge for the year	566	1,800	2,413
Deferred *(note 20)*	(253)	(88)	35
Total tax charge for the year	313	1,712	2,448

A reconciliation of the tax expense applicable to profit before tax at the applicable tax rates for the jurisdictions in which companies within the Group are domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Profit before tax	702	9,408	8,829
Add: disallowed expenses incurred by the Company*	—	—	6,711
Profit before tax generated by the Hong Kong and PRC subsidiary	702	9,408	15,540
At the applicable tax rates			
15%	—	1,420	2,354
25%	175	—	—
16.5%	—	(9)	(25)
Expenses not deductible for tax	138	83	94
Effect of tax rate change	—	209	—
Tax losses not recognised	—	9	25
Tax charge at the Group's effective tax rate	313	1,712	2,448

* Expenses incurred by the Company mainly consist of transaction costs relating to the Listing incurred by the Company. These expenses are not expected to be tax deductible.

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results of the Group for the Relevant Periods.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

11. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Office equipment *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 December 2014					
Cost:					
At 1 January 2014	33,099	406	19	427	33,951
Additions	640	—	9	1,013	1,662
At 31 December 2014 and 1 January 2015	33,739	406	28	1,440	35,613
Additions	2,177	416	83	21,528	24,204
Transfers	21,508	—	—	(21,508)	—
At 31 December 2015 and 1 January 2016	57,424	822	111	1,460	59,817
Additions	—	—	2	976	978
Transfers	2,357	—	—	(2,357)	—
Reduction in costs	(485)	—	—	—	(485)
Disposals	(2,989)	—	(42)	—	(3,031)
At 31 December 2016	56,307	822	71	79	57,279
Accumulated depreciation and impairment:					
At 1 January 2014	5,716	186	4	—	5,906
Depreciation provided for the year	2,999	77	4	—	3,080
Impairment provided for the year	1,260	—	—	—	1,260
At 31 December 2014 and 1 January 2015	9,975	263	8	—	10,246
Depreciation provided for the year	3,295	116	14	—	3,425
Impairment provided for the year	675	—	—	—	675
At 31 December 2015 and 1 January 2016	13,945	379	22	—	14,346
Depreciation provided for the year	4,920	125	13	—	5,058
Disposals	(2,008)	—	(6)	—	(2,014)
At 31 December 2016	16,857	504	29	—	17,390
Net carrying amount:					
At 1 January 2014	27,383	220	15	427	28,045
At 31 December 2014	23,764	143	20	1,440	25,367
At 31 December 2015	43,479	443	89	1,460	45,471
At 31 December 2016	39,450	318	42	79	39,889

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

11. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Impairment losses as of RMB1,260,000 and RMB675,000 were recognised during the years ended 2014 and 2015, respectively, to write down the carrying amount of a production machine of Singyes Applicable Materials to its estimated recoverable amount based on the quoted price in the market that are not active. The recoverable amounts of the said production machine were estimated to be RMB1,530,000 and RMB855,000, as at 31 December 2014 and 2015, respectively. The production machine was disposed of during the year ended 31 December 2016.

12. PAYMENTS IN ADVANCE

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Advance payments in respect of:			
Purchase of machinery	12,333	121	16

13. INVENTORIES

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	6,511	4,321	4,362
Work in progress	2,146	2,371	4,031
Finished goods	4,943	1,940	3,503
	13,600	8,632	11,896

14. TRADE AND BILLS RECEIVABLES

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	23,576	23,729	61,605
Less: Impairment	(176)	(1,377)	(2,301)
	23,400	22,352	59,304
Bills receivable	4,747	2,565	769
	28,147	24,917	60,073

The Group's trading terms with its customers are mainly on credit. The credit period is generally ranging from one to six months for major customers. Trade receivables from small and new customers are normally expected to be settled shortly after the delivery of goods. No credit period is set by the Group for small and new customers. The Group's bills receivable have a maturity period of one to six months.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

14. TRADE AND BILLS RECEIVABLES *(Continued)*

The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aging analysis of the trade and bills receivables as at the end of the reporting period, based on the billing date and net of impairment, is as follows:

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	10,743	8,861	30,263
3 to 6 months	5,408	4,128	18,636
6 to 12 months	10,226	7,236	9,745
1 to 2 years	1,770	4,692	1,429
	28,147	24,917	60,073

The movements in provision for impairment of trade receivables are as follows:

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	—	176	1,377
Impairment loss recognised *(note 6)*	176	1,201	924
	176	1,377	2,301

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in interest or principal payment or both and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

The aging analysis of the trade and bills receivables that are not individually impaired and trade receivables that are considered partially impaired are as follows:

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Neither past due nor impaired	7,922	4,639	14,071
Past due but not impaired:			
Less than 6 months past due	10,691	9,825	35,760
6 to 12 months past due	9,152	5,191	9,088
Over 12 months past due	382	5,262	1,154
	28,147	24,917	60,073

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

14. TRADE AND BILLS RECEIVABLES *(Continued)*

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers. The Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments to suppliers	5,154	1,945	2,584
Deposits	300	300	—
Due from the parent company *(note 27(c))*	1	—	—
Deferred listing fees*	—	—	3,084
Other receivables	470	570	753
	5,925	2,815	6,421

* Deferred listing fees represent legal and other professional fees relating to the Listing and they will be deducted from equity when the Company completes the Listing.

Company

As of 31 December 2016, prepayments mainly represented deferred listing fees incurred for the Listing as explained above.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

16. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	2,662	7,186	7,543
Less: Pledged deposits for performance guarantee	—	(20)	(20)
Cash and cash equivalents	2,662	7,166	7,523

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

16. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS *(Continued)*

The Group's cash and bank balances and time deposits denominated in the following currencies:

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
RMB equivalent amount:			
RMB	2,614	6,924	7,107
HK	24	29	33
US$	24	213	383
	2,662	7,166	7,523

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

17. TRADE PAYABLES

An aging analysis of the trade payables as at the end of the reporting period, based on the purchase recognition date, is as follows:

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Within 6 months	2,212	9,537	18,079
6 to 12 months	2,143	1,200	4,376
1 to 2 years	449	2,542	384
2 to 3 years	1,108	250	109
Over 3 years	971	963	156
	6,883	14,492	23,104

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

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

18. OTHER PAYABLES AND ACCRUALS

Group

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	RMB'000	RMB'000
Advances from customers	1,377	3,833	2,977
Accrued expenses	267	428	3,827
Payroll and welfare payable	1,434	1,144	1,407
Tax and surcharge payables	2,320	4,394	9,332
Payables related to property, plant and equipment	66	4,446	1,751
Due to related parties *(note 27(c))*	40	336	1,987
Other payables	20,000	80	667
	25,504	14,661	21,948

Company

As of 31 December 2016, other payables and accruals mainly represented legal and other professional fees payable relating to the Listing.

Other payables are unsecured, non-interest-bearing and have no fixed terms of repayment.

19. INTEREST-BEARING BANK LOANS

The balances as of 31 December 2014 represent secured one-year bank loans granted by China Merchants Bank to the Group, which were guaranteed by a company controlled by Singyes Solar, and the Company's directors, Messrs. Sun Jinli and Liu Hongwei.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

20. DEFERRED TAX

The movements of deferred tax assets during the Relevant Periods are as follows:

Deferred tax assets

	Tax losses	**Impairment on trade receivables**	**Impairment on property, plant and equipment**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014	202	—	—	68	270
Deferred tax credited/(charged) to profit or loss during the year *(note 9)*	(202)	44	315	96	253
At 31 December 2014 and at 1 January 2015	—	44	315	164	523
Deferred tax credited/(charged) to profit or loss during the year *(note 9)*	—	163	(25)	(50)	88
At 31 December 2015 and at 1 January 2016	—	207	290	114	611
Deferred tax credited/(charged) to profit or loss during the year *(note 9)*	—	139	(290)	186	35
At 31 December 2016	—	346	—	300	646

21. PROVISION

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	273	656	764
Additional provision	689	278	964
Amounts utilised during the year	(306)	(170)	(536)
At end of year	656	764	1,192

The Group provides 6-month to 2-year warranties to its customers on certain of its products, under which default products are repaired or replaced. The amount of provision for warranties is estimated on sales and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised as appropriate.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

22. DEFERRED INCOME

	As at 31 December		
	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	—	—	—
Government grants received during the year	—	—	888
Released to profit or loss *(note 5)*	—	—	(76)
	—	—	812

Deferred income represented government grants received by the Group in respect of the import of equipment and are released to profit or loss by annual instalment to match with the expected useful lives of the relevant assets.

23. SHARE CAPITAL

(a) The Company was incorporated in Bermuda on 14 November 2014 with initial authorised share capital of US$10,000 divided into 1,000,000 shares of a par value of US$0.01 each. Upon incorporation, 10,000 ordinary shares of the Company were issued and allotted for cash at par value of US$0. 01 each to Top Access.

(b) On 2 March 2016, the Company allotted and issued 660 ordinary shares for cash to Kunlun Holdings Group Limited ("**Kunlun Holdings**"), an independent third party, at an aggregate consideration of US$1,188,000 (equivalent to approximately RMB7,780,000).

(c) On 29 April 2016, the Company allotted and issued 440 ordinary shares for cash to Raton Race Investments Ltd ("**Raton Race**"), an independent third party, at an aggregate consideration of US$792,000 (equivalent to approximately RMB5,116,000).

Other than the issue of the above shares, there have been no movements in the Company's ordinary share capital from the date of incorporation of the Company to 31 December 2016. As of 31 December 2016, 11,100 ordinary shares were in issue at par value of US$0.01 each.

24. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(a) Share premium

As described in notes 23(b) and 23(c) above, Kunlun Holdings subscribed 660 new ordinary shares of the Company at an aggregate consideration of US$1,188,000 (equivalent to approximately RMB7,780,000) and Raton Race subscribed 440 new ordinary shares of the Company at an aggregate consideration of US$792,000 (equivalent to approximately RMB5,116,000). The difference between the proceeds from issue of shares and the nominal value of 1,100 shares issued was credited to the Company's share premium account.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

24. RESERVES *(Continued)*

Group *(Continued)*

(b) Contributed surplus

The contributed surplus resulted from the preparation of this Financial Information on the basis of presentation set out in note 2.1. It represents the difference between (i) the distribution to the then parent company, Singyes Energy-saving of RMB55,161,000 for the acquisition of its 100% equity interest in Singyes Applicable Materials by the Group pursuant to the Reorganisation and (ii) the nominal value of the paid-up capital of Singyes Applicable Materials of RMB50,000,000.

(c) Statutory reserves

Pursuant to the relevant laws and regulations in the PRC, a portion of profits as determined in accordance of the PRC GAAP of a subsidiary established in the PRC has been transferred to reserves funds. Such reserve funds are non-distributable except in the event of liquidation and subject to certain restrictions set out in the relevant PRC regulations. They can be used to offset accumulated losses or capitalised as paid-up capital.

(d) Capital reserves

Capital reserves as at 31 December 2014 represented the deemed contribution from the Company's intermediate holding company, Singyes Solar with respect to share options granted by Singyes Solar. All share options granted by Singyes Solar to the Group's employees were fully exercised prior to 1 January 2014.

Movement in capital reserves during the year ended 31 December 2015 represented the advance received from Top Access, the Company's parent company amounting to RMB55,161,000, which was waived by Top Access during the same year.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

24. RESERVES *(Continued)*

Company

	Share premium account *RMB'000*	Capital reserve *RMB'000*	Exchange fluctuation reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
14 November 2014, 31 December 2014 and 1 January 2015	—	—	—	—	—
Total comprehensive income for the year	—	—	3,279	—	3,279
Waiver of shareholder's debt	—	55,161	—	—	55,161
At 31 December 2015 and 1 January 2016	—	55,161	3,279	—	58,440
Total comprehensive income/(loss) for the year	—	—	4,323	(6,711)	(2,388)
Issue of shares	12,896	—	—	—	12,896
At 31 December 2016	12,896	55,161	7,602	(6,711)	68,948

25. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office and factory under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years. At the end of each of the relevant periods, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December		
	2014 *RMB'000*	2015 *RMB'000*	2016 *RMB'000*
Within one year	107	1,033	1,122
In the second to third years, inclusive	—	1,808	775
	107	2,841	1,897

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

26. COMMITMENTS

In addition to the operating lease commitments detailed in note 25 above, the Group had the following capital commitments at the end of the reporting period:

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Contracted, but not provided for:			
Plant and machinery	8,011	—	10

27. RELATED PARTY TRANSACTIONS AND BALANCES

Details of the Company's principal related parties are as follows:

Company name	**Relationship**
Top Access	Parent Company
Singyes Solar	Intermediate holding company
Zhuhai Singyes Renewable Energy Technology Co., Ltd. ("**Singyes Renewable Energy**")	Fellow subsidiary
Singyes Green Technologies (HK) Limited ("**Singyes Green Technologies**")	Fellow subsidiary
Singyes Engineering (HK) Co., Ltd. ("**Singyes Engineering**")	Fellow subsidiary
Zhuhai Singyes Green Building Technology Co., Ltd. ("**Zhuhai Singyes**")	Fellow subsidiary
Hunan Singyes Solar Technology Co., Ltd. ("**Hunan Singyes**")	Fellow subsidiary
Singyes Energy-saving	Fellow subsidiary
Gansu Singyes Solar Technologies Co., Ltd. ("**Gansu Technologies**")	Fellow subsidiary
Zhuhai Singyes Electronic Technology Co., Ltd. ("**Singyes Xinye**")	Fellow subsidiary

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

27. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(a) In addition to the transactions and balances detailed elsewhere in the Financial Information, the Group had the following material transactions with related parties during the year:

		Year ended 31 December		
		2014	**2015**	**2016**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Sales of products:				
Zhuhai Singyes	*(i)*	70	155	—
Singyes Renewable Energy	*(i)*	—	9	—
Singyes Energy-saving	*(i)*	—	3	—
Singyes Engineering	*(i)*	51	2	—
Hunan Singyes	*(i)*	16	—	—
Gansu Technologies	*(i)*	25	—	—
		162	169	—
Purchase of assets:				
Singyes Renewable Energy	*(ii)*	—	315	—
Operating lease rental expenses:				
Zhuhai Singyes	*(iii)*	107	107	—
Singyes Energy-saving	*(iii)*	—	258	931
		107	365	931
Meal expenses:				
Singyes Energy-saving	*(iv)*	—	128	378

Notes:

(i) The Directors consider that sales of products to the related parties were made according to the published prices and conditions offered to the major customers of the Group.

(ii) The Directors consider that the purchase of assets from related party was charged at a consideration based on the net book amounts of these assets.

(iii) The Directors consider that the operating lease rental expenses paid by the Group to related parties as determined under the tenancy agreements were based on market rates for similar premises in similar locations.

(iv) Singyes Energy-saving provides meal services to the employees of the Group at the rate of RMB3 per breakfast per person and RMB11 per lunch/dinner per person as determined under the service agreements. The Directors consider that the rates in respect of the provision of meal services by Singyes Energy-saving were determined on normal commercial terms.

The related party transactions in respect of items (iii) and (iv) above also constitute continuing connected transactions as defined in Chapter 20 of the GEM Listing Rules.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

27. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(b) Other transactions with related parties:

(i) Advances with related parties

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Advances from:			
Zhuhai Singyes	17,034	32,229	1,461
Singyes Xinye	—	55	26
Singyes Solar	70	895	3,945
Singyes Energy-saving	—	—	790
Singyes Renewable Energy	1,049	—	—
	18,153	33,179	6,222
Repayment of advances to:			
Zhuhai Singyes	25,088	32,118	1,493
Singyes Xinye	—	—	81
Singyes Solar	—	881	2,997
Hunan Singyes	30,000	—	—
Singyes Renewable Energy	51	—	—
	55,139	32,999	4,571
Advances to:			
Singyes Energy-saving	558	—	—
Singyes Green Technologies	3	—	—
	561	—	—
Repayment of advances from:			
Singyes Xinye	9,026	—	—

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

27. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(b) Other transactions with related parties: *(Continued)*

(i) Advances with related parties *(Continued)*

During the year ended 31 December 2014:

1) the debt of the Group owing to Singyes Solar was transferred to Zhuhai Singyes with an amount of RMB8,771,000;

2) the debt of the Group owing to Singyes Renewable Energy was transferred to Zhuhai Singyes with an amount of RMB3,665,000;

3) the debt of the Group owing to Hunan Singyes was transferred to Zhuhai Singyes with an amount of RMB15,501,000;

4) the debt of Zhuhai Singyes owing to the Group was transferred to Singyes Green Technologies with an amount of RMB381,000;

5) the debt of Zhuhai Singyes owing to the Group was transferred to Singyes Xinye with an amount of RMB31,920,000;

6) the debt of Zhuhai Singyes owing to the Group was transferred to Singyes Energy-saving with an amount of RMB707,000; and

7) the debt of Zhuhai Singyes owing to the Group was transferred to Singyes Engineering with an amount of RMB39,000.

(ii) Other transactions

As at 31 December 2014, bank loans were guaranteed by Zhuhai Singyes and the Company's directors, Messrs. Sun Jinli and Liu Hongwei for nil consideration.

As at 31 December 2015, bank loans of the intermediate holding company, Singyes Solar, with an aggregate principal amount of USD$110,000,000 was jointly guaranteed by the Company, New Materials (H.K.) and other companies controlled by Singyes Solar at nil consideration.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

27. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(c) Outstanding balances with related parties

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Due from the parent company:			
Non-trade in nature			
Top Access	1	—	—
Due to related parties:			
Non-trade in nature			
Singyes Solar	—	15	963
Singyes Xinye	—	55	—
Zhuhai Singyes	40	150	118
Singyes Energy-saving	—	116	906
	40	336	1,987

Balances with the related parties are interest-free, unsecured and have no fixed terms of repayment.

(d) Compensation of key management personnel of the Group

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	821	836	946
Pension scheme contributions	16	35	42
	837	871	988

Further details of directors' and the chief executive's emoluments are included in note 7 to the Financial Information.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

28. TRANSFERS OF FINANCIAL ASSETS

Transferred financial assets that are not derecognised in their entirety

	Year ended 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Gross amount of assets that continued to be recognised:			
Endorsed Bills	100	1,498	50

At 31 December 2014, 2015 and 2016, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "**Endorsed Bills**") with total carrying amounts of RMB100,000, RMB1,498,000 and RMB50,000, respectively, to certain of its suppliers in order to settle the trade payables due to such suppliers. The Endorsed Bills had a maturity of one to six months at the end of each of the relevant periods. In the opinion of the Directors, the Group has retained the substantial risks and rewards, which include default risks relating to the Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amounts of the trade payables settled by the Endorsed Bills during the Relevant Periods to which the suppliers have recourse were RMB100,000, RMB1,498,000 and RMB50,000, respectively as at 31 December 2014, 2015 and 2016.

Transferred financial assets that are derecognised in their entirety

As at 31 December 2014, 2015 and 2016, the Group endorsed certain bills receivable accepted by certain reputable banks in Mainland China to certain of its suppliers in order to settle the trade payables due to such suppliers, with carrying amounts in aggregate of RMB1,127,000, RMB2,366,000 and RMB6,626,000, respectively (referred to as the "**Derecognised Bills**"). The Derecognised Bills had a maturity from one to five months at the end of each of the relevant periods. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "**Continuing Involvement**"). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amount of the Derecognised Bills. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the Directors, the fair value of the Group's Continuing Involvement in the Derecognised Bills is not significant.

During the Relevant Periods, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during each of the years ended 31 December 2014, 2015 and 2016 or cumulatively. The endorsement has been made evenly throughout the year.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise trade and bills receivables, other receivables, trade and other payables, interest-bearing bank loans and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The interest rates and terms of repayment of interest-bearing bank loans are disclosed in note 19. The Group does not have any significant exposure to the risk of changes in market interest rates as the Group does not have any significant long term receivables and loans which are subject to floating interest rate.

Foreign currency risk

The Group's principle businesses are located in the PRC and most of the transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB, except for those of the overseas subsidiary in Hong Kong and the Company whose functional currency is HK$ and certain items of cash and cash equivalents and other payables and accruals that are denominated in HK$ and US$.

The Group does not consider that it has any significant exposure to the risk of fluctuation in the exchange rate between HK$, US$ and RMB as a reasonable possible change of 5% in RMB against HK$ and US$ would have no significant financial impact on the Group's profit.

Credit risk

The carrying amounts of cash and cash equivalents, pledged deposits, trade and bills receivables, and other financial assets represent the Group's maximum exposure to credit risk in relation to financial assets. Substantially all of the Group's cash and cash equivalents are held in major financial institutions located in Mainland China, which management believes are of high credit quality.

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

The Group had certain concentrations of credit risks of the total trade receivables due from the Group's largest customer and the Group's five largest customers as follows:

	As at 31 December		
	2014	**2015**	**2016**
	%	*%*	*%*
Due from the Group's largest customer	21.5	19.9	21.6
Due from the Group's five largest customers	61.8	59.9	55.7

All of these customers have good credit quality by taking into account of their credit history, and long-term business relationship has been established between the Group and these customers. The Group has delegated a team responsible for determination of credit limits and monitoring procedures to ensure that there will be follow-up action to recover overdue debts.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade and bills receivables) and projected cash flows from operations.

The liquidity of the Group is primarily dependent on its ability to maintain a balance between continuity of funding and flexibility through the settlements from customers and the payments to vendors.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	As at 31 December 2014			
	On demand	**Less than 3 months**	**3 to less than 12 months**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	4,970	1,913	—	6,883
Interest-bearing bank loans	—	—	4,705	4,705
Other payables and accruals	20,333	—	—	20,333
Due to related parties	40	—	—	40
	25,343	1,913	4,705	31,961

	As at 31 December 2015			
	On demands	**Less than 3 months**	**3 to less than 12 months**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	13,287	1,205	—	14,492
Other payables and accruals	3,925	—	1,029	4,954
Due to related parties	336	—	—	336
	17,548	1,205	1,029	19,782

	As at 31 December 2016			
	On demands	**Less than 3 months**	**3 to less than 12 months**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2016				
Trade payables	18,132	4,972	—	23,104
Other payables and accruals	5,543	—	1,099	6,642
Due to related parties	1,987	—	—	1,987
	25,662	4,972	1,099	31,733

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Fair values

Fair value estimates are made at a specific point in time and are based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The carrying amounts of the Group's financial instruments approximated to their fair values due to the short term to maturity at the end of each of the Relevant Periods.

Capital management

The Group's objectives of its capital management are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for the shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing services and products commensurately with the level of risk.

The Group sets the amount of capital in proportion to risk. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt comprises trade payables, interest-bearing bank loans, other payables and accruals, and tax payable, less cash and cash equivalents and pledged deposits. Capital represents equity attributable to owners of the Company.

II. NOTES TO FINANCIAL INFORMATION *(Continued)*

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management *(Continued)*

The Group's strategy is to maintain the gearing ratio at a healthy capital level in order to support its businesses. The principal strategies adopted by the Group include, but are not limited to, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its business. The gearing ratios as at the end of the reporting periods were as follows:

	As at 31 December		
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	6,883	14,492	23,104
Interest-bearing bank loans	4,500	—	—
Other payables and accruals	25,504	14,661	21,948
Tax payable	235	1,352	1,801
Less: Cash and cash equivalents	(2,662)	(7,166)	(7,523)
Less: Pledged bank balances	—	(20)	(20)
Net debt	34,460	23,319	39,310
Equity attributable to owners of the Company	50,779	58,484	77,627
Gearing ratio	67.9%	39.9%	50.6%

30. CONTINGENT LIABILITIES

As at 31 December 2015, the Company and New Materials (H.K.) provided guarantees to banks in connection with loans granted to Singyes Solar aggregating to USD$110,000,000. Such guarantees were released subsequently in 2016.

As at 31 December 2016, neither the Group nor the Company had any significant contingent liabilities.

31. EVENTS AFTER THE RELEVANT PERIODS

On 23 June 2017, written shareholders' resolutions were passed to approve matters described in the paragraph headed "Written resolutions of the shareholders of our Company passed on 23 June 2017" under the sub-section headed "Further Information about Our Company" of the section headed "Statutory and General Information", included in the Appendix IV to the Prospectus.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2016.

Yours faithfully,

Certified Public Accountants
Ernst & Young
Hong Kong

The information set forth below does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed ''Financial information'' in this prospectus and the ''Accountants' report'' set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative pro forma statement of our adjusted net tangible assets which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Share Offer as if it had taken place on 31 December 2016.

The unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Share Offer been completed as of 31 December 2016 or any future dates.

	Consolidated net tangible assets attributable to owners of the Company as of 31 December 2016	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per Share	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*(HK$ equivalent)*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Based on a Offer Price of HK$1.0 per Share	77,627	94,553	172,180	0.36	0.41

Notes:

(1) The consolidated net tangible assets attributable to owners of the Company as of 31 December 2016 is extracted from the Accountants' Report, which is based on the audited consolidated equity attributable to owners of the Company as of 31 December 2016 of approximately RMB77,627,000.

(2) The estimated net proceeds from the Share Offer are based on the Share Offer of HK$1.0 per Share, after deduction of the underwriting fees and other related expenses payable by the Company subsequent to the Track Record Period of approximately RMB10.3 million. The total Listing expense, when aggregated by the amounts of approximately RMB12.8 million, which has been accounted for as a reduction from equity and has been charged to and reflected in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016, will be approximately RMB23.1 million. The estimated net proceeds from the Share Offer are converted from Hong Kong dollars into Renminbi at an exchange rate which is set forth on page 56 on this prospectus.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 480,000,000 Shares in issue immediately following the completion of the Share Offer.

(4) The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate which is set forth on page 56 on this prospectus.

B. INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose for inclusion in this prospectus.

EY安永

22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

30 June 2017

To the Directors of China Singyes New Materials Holdings Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of China Singyes New Materials Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 31 December 2016, and related notes as set out on Appendix II of the prospectus dated 30 June 2017 issued by the Company (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Appendix II to the Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the share offer on the Group's financial position as at 31 December 2016 as if the transaction had taken place at 31 December 2016. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the year ended 31 December 2016, on which an accountants' report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the share offer on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Yours faithfully,

Certified Public Accountants
Hong Kong

30 June 2017

Set out below is a summary of certain provisions of the memorandum of association (the "**Memorandum of Association**") and bye laws (the "**Bye laws**") of the Company and of certain aspects of Bermuda company law.

1. MEMORANDUM OF ASSOCIATION

The Memorandum of Association states, *inter alia*, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the Company is an exempted company as defined in the Companies Act. The Memorandum of Association also sets out the objects for which the Company was formed which are unrestricted and that the Company has the capacity, rights, powers and privileges of a natural person. As an exempted company, the Company will be carrying on business outside Bermuda from a place of business within Bermuda.

In accordance with and subject to section 42A of the Companies Act, the Memorandum of Association empowers the Company to purchase its own shares and pursuant to its Bye laws, this power is exercisable by the board of Directors (the "**board**") upon such terms and subject to such conditions as it thinks fit.

2. BYE LAWS

The Bye laws were adopted on 23 June 2017. The following is a summary of certain provisions of the Bye laws:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Act, any preference shares may be issued or converted into shares that are liable to be redeemed, at a determinable date or at the option of the Company or, if so authorised by the Memorandum of Association, at the option of the holder, on such terms and in such manner as the Company before the issue or conversion may by ordinary resolution determine. The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Act, the Bye laws, any direction that may be given by the Company in general meeting and, where applicable, the rules of any Designated Stock Exchange (as defined in the Bye laws) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Bye laws relating to the disposal of the assets of the Company or any of its subsidiaries.

Note: The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Bye laws or the Companies Act to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are no provisions in the Bye laws relating to the making of loans to Directors. However, the Companies Act contains restrictions on companies making loans or providing security for loans to their directors, the relevant provisions of which are summarised in the paragraph headed "Bermuda company law" in this Appendix.

(v) Financial assistance to purchase shares of the Company

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Bye laws) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(vi) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of auditor of the Company) in conjunction with his office of Director for such period and, subject to the Companies Act, upon such terms as the board may determine, and may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Bye laws. A Director may be or become a director or other officer of, or a member of, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Bye laws, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Act and to the Bye laws, no Director or proposed or intending Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates (as defined in the Bye-laws) is materially interested but this prohibition shall not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub underwriting of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; and

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vii) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such remuneration (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably incurred or expected to be incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Bye law. A Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex employees of the Company and their dependants or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex employees and their dependants, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex employees or their dependants are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(viii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re election or appointment but as between persons who became or were last re elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Note: There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or, subject to authorisation by the members in general meeting, as an addition to the existing board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the members in general meeting. Any Director appointed by the board to fill a casual vacancy shall hold office until the first general meeting of Members after his appointment and be subject to re-election at such meeting and any Director appointed by the board as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) provided that the notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention to do so and be served on such Director fourteen (14) days before the meeting and, at such meeting, such Director shall be entitled to be heard on the motion for his removal. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors unless otherwise determined from time to time by members of the Company.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period (subject to their continuance as Directors) and upon such terms as the board may determine and the board may revoke or terminate any of such appointments (but without prejudice to any claim for damages that such Director may have against the Company or vice versa). The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ix) Borrowing powers

The board may from time to time at its discretion exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Bye laws in general, can be varied with the sanction of a special resolution of the Company.

(b) Alterations to constitutional documents

The Bye laws may be rescinded, altered or amended by the Directors subject to the confirmation of the Company in general meeting. The Bye laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association, to confirm any such rescission, alteration or amendment to the Bye laws or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Act:

(i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares as the directors may determine;

(iv) sub divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association;

(v) change the currency denomination of its share capital;

(vi) make provision for the issue and allotment of shares which do not carry any voting rights; and

(vii) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may, by special resolution, subject to any confirmation or consent required by law, reduce its authorised or issued share capital or, save for the use of share premium as expressly permitted by the Companies Act, any share premium account or other undistributable reserve.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Act, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Bye laws relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons or (in the case of a member being a corporation) its duly authorised representative holding or representing by proxy not less than one third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or (in the case of a member being a corporation) its duly authorised representative or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him.

(e) Special resolution majority required

A special resolution of the Company must be passed by a majority of not less than three fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Bye-laws (see paragraph 2(i) below for further details).

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Bye laws, at any general meeting on a poll every member present in person or by proxy or (being a corporation) by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share.

A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares held by that clearing house (or its nominee(s)) in respect of the number and class of shares specified in the relevant authorisation including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Bye-laws), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year other than the year in which its statutory meeting is convened at such time (within a period of not more than 15 months after the holding of the last preceding annual general meeting unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Bye laws)) and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the provisions of the Companies Act or necessary to give a true and fair view of the Company’s affairs and to explain its transactions.

The accounting records shall be kept at the registered office or, subject to the Companies Act, at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right of inspecting any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

Subject to the Companies Act, a printed copy of the Directors' report, accompanied by the balance sheet and profit and loss account, including every document required by law to be annexed thereto, made up to the end of the applicable financial year and containing a summary of the assets and liabilities of the Company under convenient heads and a statement of income and expenditure, together with a copy of the auditors' report, shall be sent to each person entitled thereto at least twenty-one (21) days before the date of the general meeting and at the same time as the notice of annual general meeting and laid before the Company at the annual general meeting in accordance with the requirements of the Companies Act provided that this provision shall not require a copy of those documents to be sent to any person whose address the Company is not aware or to more than one of the joint holders of any shares or debentures; however, to the extent permitted by and subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Bye-laws), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Subject to the Companies Act, at the annual general meeting or at a subsequent special general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the members appoint another auditor. Such auditor may be a member but no Director or officer or employee of the Company shall, during his continuance in office, be eligible to act as an auditor of the Company. The remuneration of the auditor shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than Bermuda. If the auditing standards of a country or jurisdiction other than Bermuda are used, the financial statements and the report of the auditor should disclose this fact and name such country and jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings (including a special general meeting) must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange (as defined in the Bye-laws), it shall be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together representing not less than ninety-five per cent (95%) of the total voting rights at the meeting of all the members.

(j) Transfer of shares

All transfers of shares may be effected in any manner permitted by and in accordance with the rules of the Designated Stock Exchange or by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in Bermuda or such other place in Bermuda at which the principal register is kept in accordance with the Companies Act.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Bye laws) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in an appointed newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Bye laws), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Bye laws supplement the Company's Memorandum of Association (which gives the Company the power to purchase its own shares) by providing that the power is exercisable by the board upon such terms and conditions as it thinks fit.

(l) Power for any subsidiary of the Company to own shares in the Company

There are no provisions in the Bye laws relating to ownership of shares in the Company by a subsidiary.

(m) Dividends and other methods of distribution

Subject to the Companies Act, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board. The Company in general meeting may also make a distribution to its members out of contributed surplus (as ascertained in accordance with the Companies Act). No dividend shall be paid or distribution made out of contributed surplus if to do so would render the Company unable to pay its liabilities as they become due or the realisable value of its assets would thereby become less than its liabilities.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to a member by the Company on or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.

(o) Call on shares and forfeiture of shares

Subject to the Bye laws and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect.

Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

The register and branch register of members shall be open to inspection between 10:00 a.m. and 12:00 noon during business hours by members of the public without charge at the registered office or such other place in Bermuda at which the register is kept in accordance with the Companies Act, unless the register is closed in accordance with the Companies Act.

(q) Quorum for meetings and separate class meetings

For all purposes the quorum for a general meeting shall be two members present in person or (in the case of a member being a corporation) by its duly authorised representative or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Bye laws relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Bermuda law, as summarised in paragraph 4(e) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

The Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Bye laws) giving notice of its intention to sell such shares and a period of three months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Bye laws), has elapsed since such advertisement and the Designated Stock Exchange (as defined in the Bye laws) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Other provisions

The Bye laws provide that to the extent that it is not prohibited by and is in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

The Bye laws also provide that the Company is required to maintain at its registered office a register of directors and officers in accordance with the provisions of the Companies Act and such register is open to inspection by members of the public without charge between 10:00 a.m. and 12:00 noon during business hours.

3. VARIATION OF MEMORANDUM OF ASSOCIATION AND BYE LAWS

The Memorandum of Association may be altered by the Company in general meeting. The Bye laws may be amended by the Directors subject to the confirmation of the Company in general meeting. The Bye laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association or to confirm any amendment to the Bye laws or to change the name of the Company. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three fourths of the votes cast by such members of the Company as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than twenty-one (21) clear days' and not less than ten clear business days' notice specifying the intention to propose the resolution as a special resolution has been duly given. Except in the case of an annual general meeting, the requirement of twenty-one (21) clear days' notice may be waived by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together holding not less than 95 percent in nominal value of the shares giving that right.

4. BERMUDA COMPANY LAW

The Company is incorporated in Bermuda and, therefore, operates subject to Bermuda law. Set out below is a summary of certain provisions of Bermuda company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Bermuda company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Share capital

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account", to which the provisions of the Companies Act relating to a reduction of share capital of a company shall apply as if the share premium account was paid up share capital of the company except that the share premium account may be applied by the company:

(i) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;

(ii) in writing off:

(aa) the preliminary expenses of the company; or

(bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; or

(iii) in providing for the premiums payable on redemption of any shares or of any debentures of the company.

In the case of an exchange of shares the excess value of the shares acquired over the nominal value of the shares being issued may be credited to a contributed surplus account of the issuing company.

The Companies Act permits a company to issue preference shares and subject to the conditions stipulated therein to convert those preference shares into redeemable preference shares.

The Companies Act includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. Where provision is made by the memorandum of association or bye laws for authorising the variation of rights attached to any class of shares in the company, the consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required, and where no provision for varying such rights is made in the memorandum of association or bye laws and nothing therein precludes a variation of such rights, the written consent of the holders of three fourths of the issued shares of that class or the sanction of a resolution passed as aforesaid is required.

(b) Financial assistance to purchase shares of a company or its holding company

There is no longer any statutory restriction in Bermuda on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in accordance with their fiduciary duties to the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(c) Purchase of shares and warrants by a company and its subsidiaries

A company may, if authorised by its memorandum of association or bye laws, purchase its own shares. Such purchases may only be effected out of the capital paid up on the purchased shares or out of the funds of the company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of shares made for the purpose. Any premium payable on a purchase over the par value of the shares to be purchased must be provided for out of funds of the company otherwise available for dividend or distribution or out of the company's share premium account. Any amount due to a shareholder on a purchase by a company of its own shares may (i) be paid in cash; (ii) be satisfied by the transfer of any part of the undertaking or property of the company having the same value; or (iii) be satisfied partly under (i) and partly under (ii). Any purchase by a company of its own shares may be authorised by its board of directors or otherwise by or in accordance with the provisions of its bye laws. Such purchase may not be made if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that the company is, or after the purchase would be, unable to pay its liabilities as they become due. The shares so purchased may either be cancelled or held as treasury shares. Any purchased shares that are cancelled will, in effect, revert to the status of authorised but unissued shares. If shares of the company are held as treasury shares, the company is prohibited to exercise any rights in respect of those shares, including any right to attend and vote at meetings, including a meeting under a scheme of arrangement, and any purported exercise of such a right is void. No dividend shall be paid to the company in respect of shares held by the company as treasury shares; and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) shall be made to the company in respect of shares held by the company as treasury shares. Any shares allotted by the company as fully paid bonus shares in respect of shares held by the company as treasury shares shall be treated for the purposes of the Companies Act as if they had been acquired by the company at the time they were allotted.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Bermuda law that a company's memorandum of association or its bye laws contain a specific provision enabling such purchases.

Under Bermuda law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. A company, whether a subsidiary or a holding company, may only purchase its own shares if it is authorised to do so in its memorandum of association or bye laws pursuant to section 42A of the Companies Act.

(d) Dividends and distributions

A company may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of the company's assets would thereby be less than its liabilities. Contributed surplus is defined for purposes of section 54 of the Companies Act to include the proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital and donations of cash and other assets to the company.

(e) Protection of minorities

Class actions and derivative actions are generally not available to shareholders under the laws of Bermuda. The Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong done to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal or would result in the violation of the company's memorandum of association and bye laws. Furthermore, consideration would be given by the court to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than actually approved it.

Any member of a company who complains that the affairs of the company are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the members, including himself, may petition the court which may, if it is of the opinion that to wind up the company would unfairly prejudice that part of the members but that otherwise the facts would justify the making of a winding up order on just and equitable grounds, make such order as it thinks fit, whether for regulating the conduct of the company's affairs in future or for the purchase of shares of any members of the company by other members of the company or by the company itself and in the case of a purchase by the company itself, for the reduction accordingly of the company's capital, or otherwise. Bermuda law also provides that the company may be wound up by the Bermuda court, if the court is of the opinion that it is just and equitable to do so. Both these provisions are available to minority shareholders seeking relief from the oppressive conduct of the majority, and the court has wide discretion to make such orders as it thinks fit.

Except as mentioned above, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in Bermuda.

A statutory right of action is conferred on subscribers of shares in a company against persons, including directors and officers, responsible for the issue of a prospectus in respect of damage suffered by reason of an untrue statement therein, but this confers no right of action against the company itself. In addition, such company, as opposed to its shareholders, may take action against its officers including directors, for breach of their statutory and fiduciary duty to act honestly and in good faith with a view to the best interests of the company.

(f) Management

The Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Furthermore, the Companies Act requires that every officer should comply with the Companies Act, regulations passed pursuant to the Companies Act and the bye laws of the company. The directors of a company may, subject to the bye-laws of the company, exercise all the powers of the company except those powers that are required by the Companies Act or the bye-laws to be exercised by the members of the company.

(g) Accounting and auditing requirements

The Companies Act requires a company to cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Furthermore, it requires that a company keeps its records of account at the registered office of the company or at such other place as the directors think fit and that such records shall at all times be open to inspection by the directors or the resident representative of the company. If the records of account are kept at some place outside Bermuda, there shall be kept at the office of the company in Bermuda such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each three month period, except that where the company is listed on an appointed stock exchange, there shall be kept such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each six month period.

The Companies Act requires that the directors of the company must, at least once a year, lay before the company in general meeting financial statements for the relevant accounting period. Further, the company's auditor must audit the financial statements so as to enable him to report to the members. Based on the results of his audit, which must be made in accordance with generally accepted auditing standards, the auditor must then make a report to the members. The generally accepted auditing standards may be those of a country or jurisdiction other than Bermuda or such other generally accepted auditing standards as may be appointed by the Minister of Finance of Bermuda under the Companies Act; and where the generally accepted auditing standards used are other than those of Bermuda, the report of the auditor shall identify the generally accepted auditing standards used. All members of the company are entitled to receive a copy of every financial statement prepared in accordance with these requirements, at least five (5) days before the general meeting of the company at which the financial statements are to be tabled. A company the shares of which are listed on an appointed stock exchange may send to its members summarized financial statements instead. The summarized financial statements must be derived from the company's financial statements for the relevant period and contain the information set out in the Companies Act. The summarized financial statements sent to the company's members must be accompanied by an auditor's report on the summarized financial statements and a notice stating how a member may notify the company of his election to receive financial statements for the relevant period and/or for subsequent periods.

The summarized financial statements together with the auditor's report thereon and the accompanied notice must be sent to the members of the company not less than twenty-one (21) days before the general meeting at which the financial statements are laid. Copies of the financial statements must be sent to a member who elects to receive the same within seven (7) days of receipt by the company of the member's notice of election.

(h) Auditors

Unless the requirement to appoint an auditor is waived by all of the shareholders and all of the directors, either in writing or at the general meeting, any auditor appointed shall hold office until a successor is appointed by the members or if the members fail to do so until the directors appoint a successor.

A person, other than an incumbent auditor, shall not be capable of being appointed auditor at a general meeting unless notice in writing of an intention to nominate that person to the office of auditor has been given not less than twenty-one (21) days before the general meeting. The company must send a copy of such notice to the incumbent auditor and give notice thereof to the members not less than seven (7) days before the general meeting. An incumbent auditor may, however, by notice in writing to the secretary of the company waive the requirements of the foregoing.

Where an auditor is appointed to replace another auditor, the new auditor must seek from the replaced auditor a written statement as to the circumstances of the latter's replacement. If the replaced auditor does not respond within fifteen (15) days, the new auditor may act in any event. An appointment as auditor of a person who has not requested a written statement from the replaced auditor is voidable by a resolution of the shareholders at a general meeting. An auditor who has resigned, been removed or whose term of office has expired or is about to expire, or who has vacated office is entitled to attend the general meeting of the company at which he is to be removed or his successor is to be appointed; to receive all notices of, and other communications relating to, that meeting which a member is entitled to receive; and to be heard at that meeting on any part of the business of the meeting that relates to his duties as auditor or former auditor.

(i) Exchange control

An exempted company is usually designated as "non resident" for Bermuda exchange control purposes by the Bermuda Monetary Authority. Where a company is so designated, it is free to deal in currencies of countries outside the Bermuda exchange control area which are freely convertible into currencies of any other country. The permission of the Bermuda Monetary Authority is required for the issue of shares and securities by the company and the subsequent transfer of such shares and securities. In granting such permission, the Bermuda Monetary Authority accepts no responsibility for the financial soundness of any proposals or for the correctness of any statements made or opinions expressed in any document with regard to such issue. Before the company can issue or transfer any further shares and securities in excess of the amounts already approved, it must obtain the prior consent of the Bermuda Monetary Authority.

The Bermuda Monetary Authority has granted general permission for the issue and transfer of shares and securities to and between persons regarded as resident outside Bermuda for exchange control purposes without specific consent for so long as any equity securities, including shares, are listed on an appointed stock exchange (as defined in the Companies Act). Issues to and transfers involving persons regarded as "resident" for exchange control purposes in Bermuda will be subject to specific exchange control authorisation.

(j) Taxation

Under present Bermuda law, no Bermuda withholding tax on dividends or other distributions, nor any Bermuda tax computed on profits or income or on any capital asset, gain or appreciation will be payable by an exempted company or its operations, nor is there any Bermuda tax in the nature of estate duty or inheritance tax applicable to shares, debentures or other obligations of the company held by non residents of Bermuda. Furthermore, a company may apply to the Minister of Finance of Bermuda for an assurance, under the Exempted Undertakings Tax Protection Act 1966 of Bermuda, that no such taxes shall be so applicable until 31st March 2035, although this assurance will not prevent the imposition of any Bermuda tax payable in relation to any land in Bermuda leased or let to the company or to persons ordinarily resident in Bermuda.

(k) Stamp duty

An exempted company is exempt from all stamp duties except on transactions involving "Bermuda property". This term relates, essentially, to real and personal property physically situated in Bermuda, including shares in local companies (as opposed to exempted companies). Transfers of shares and warrants in all exempted companies are exempt from Bermuda stamp duty.

(l) Loans to directors

Bermuda law prohibits the making of loans by a company to any of its directors or to their families or companies in which they hold more than a twenty per cent. (20%) interest, without the consent of any member or members holding in aggregate not less than nine tenths of the total voting rights of all members having the right to vote at any meeting of the members of the company. These prohibitions do not apply to (a) anything done to provide a director with funds to meet the expenditure incurred or to be incurred by him for the purposes of the company, provided that the company gives its prior approval at a general meeting or, if not, the loan is made on condition that it will be repaid within six months of the next following annual general meeting or in the case of a company that has made an election to dispense with annual general meetings in accordance with the Companies Act, at or before the next following general meeting which shall be convened within 12 months of the authorisation of the making of the loan, if the loan is not approved at or before such meeting, (b) in the case of a company whose ordinary business includes the lending of money or the giving of guarantees in connection with loans made by other persons, anything done by the company in the ordinary course of that business, or (c) any advance of moneys by the company to any officer or auditor under Section 98(2)(c) of the Companies Act which allows the company to advance moneys to an officer or auditor of the company for the costs incurred in defending any civil or criminal proceedings against them, on condition that the officer or auditor shall repay the advance if any allegation of fraud or dishonesty is proved against them. If the approval of the company is not given for a loan, the directors who authorised it will be jointly and severally liable for any loss arising therefrom.

(m) Inspection of corporate records

Members of the general public have the right to inspect the public documents of a company available at the office of the Registrar of Companies in Bermuda which will include the company's certificate of incorporation, its memorandum of association (including its objects and powers) and any alteration to the company's memorandum of association. The members of the company have the additional right to inspect the bye laws of a company, minutes of general meetings and the company's audited financial statements. Minutes of general meetings of a company are also open for inspection by directors of the company without charge for not less than two (2) hours during business hours each day. The register of members of a company is open for inspection by members of the public without charge. The company is required to maintain its share register in Bermuda but may, subject to the provisions of the Companies Act, establish a branch register outside Bermuda. Any branch register of members established by the company is subject to the same rights of inspection as the principal register of members of the company in Bermuda. Any person may on payment of a fee prescribed by the Companies Act require a copy of the register of members or any part thereof which must be provided within fourteen (14) days of a request. Bermuda law does not, however, provide a general right for members to inspect or obtain copies of any other corporate records.

A company is required to maintain a register of directors and officers at its registered office and such register must be made available for inspection for not less than two (2) hours in each day by members of the public without charge. If summarized financial statements are sent by a company to its members pursuant to section 87A of the Companies Act, a copy of the summarized financial statements must be made available for inspection by the public at the registered office of the company in Bermuda.

(n) Winding up

A company may be wound up by the Bermuda court on application presented by the company itself, its creditors or its contributors. The Bermuda court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Bermuda court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where, on a voluntary winding up, a majority of directors make a statutory declaration of solvency, the winding up will be a members' voluntary winding up. In any case where such declaration has not been made, the winding up will be a creditors' voluntary winding up.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators within the period prescribed by the Companies Act for the purpose of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting requires at least one month's notice published in an appointed newspaper in Bermuda.

In the case of a creditors' voluntary winding up of a company, the company must call a meeting of creditors of the company to be summoned on the day following the day on which the meeting of the members at which the resolution for winding up is to be proposed is held. Notice of such meeting of creditors must be sent at the same time as notice is sent to members. In addition, such company must cause a notice to appear in an appointed newspaper on at least two occasions.

The creditors and the members at their respective meetings may nominate a person to be liquidator for the purposes of winding up the affairs of the company provided that if the creditors nominate a different person, the person nominated by the creditors shall be the liquidator. The creditors at the creditors' meeting may also appoint a committee of inspection consisting of not more than five persons.

If a creditors' winding up continues for more than one year, the liquidator is required to summon a general meeting of the company and a meeting of the creditors at the end of each year to lay before such meetings an account of his acts and dealings and of the conduct of the winding up during the preceding year. As soon as the affairs of the company are fully wound up, the liquidator must make an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon shall call a general meeting of the company and a meeting of the creditors for the purposes of laying the account before such meetings and giving an explanation thereof.

5. GENERAL

Conyers Dill & Pearman, the Company's legal advisers on Bermuda law, have sent to the Company a letter of advice summarising certain aspects of Bermuda company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V. Any person wishing to have a detailed summary of Bermuda company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation

Our Company was incorporated in Bermuda under the Companies Act as an exempted company with limited liability on 14 November 2014. Our registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. We have established a place of business in Hong Kong at Unit 3108, 31/F China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road, Central, Hong Kong. Our Company was registered under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) on 18 April 2016. Each of Mr. Sun and Ms. Lau Wai Han has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong. The address for service of process on our Company in Hong Kong is the same as its principal place of business in Hong Kong set out above.

As our Company is incorporated in Bermuda, it operates subject to the Companies Act and to its constitution, which comprises the Memorandum of Association and the Bye-laws. A summary of various provisions of the constitution of our Company and relevant aspects of the Companies Act is set out in Appendix III to this prospectus.

2. Changes in share capital

Our authorised share capital as of the date of our incorporation was US$10,000 divided into 1,000,000 Shares of US$0.01 each. On 27 November 2014, Top Access applied for the allotment of 10,000 shares in our Company and, on the same day, 10,000 fully paid Shares were allotted and issued to Top Access. The following sets out the changes in our Company's share capital since the date of our incorporation:

(a) on 1 March 2016, the paid-up share capital of our Company was increased from US$100 divided into 10,000 Shares to US$111 divided into 11,100 Shares. On the same day, our Company allotted and issued 660 Shares credited as fully paid to Kunlun Holdings Group Limited, and 440 Shares credited as fully paid to Raton Race Investments Ltd. (together, the "**PE Investors**"); and

(b) pursuant to the resolutions in writing of our Shareholders passed on 23 June 2017, the authorised share capital of our Company was further increased from US$10,000 to US$100,000,000 by the creation of a further 9,999,000,000 Shares.

As part of the Reorganisation, 359,988,900 Shares will be allotted and issued to persons whose name appears on the register of members of our Company at the close of business on 23 June 2017. Further, 120,000,000 Shares will be allotted and issued under the Share Offer. Immediately following completion of the Share Offer and the Capitalisation Issue and taking no account of any Shares to be issued upon exercise of the Offer Size Adjustment Option, the issued share capital of our Company will be HK$480,000,000 divided into 480,000,000 Shares, all fully paid or credited as fully paid, with 9,520,000,000 Shares remaining unissued.

Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed "Written resolutions of the Shareholders passed on 23 June 2017" in this appendix and pursuant to the Offer Size Adjustment Option, our Company and our Directors do not have any present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save for aforesaid and as disclosed in this prospectus, there has been no alteration in the share capital of our Company since its incorporation.

3. Written resolutions of the Shareholders passed on 23 June 2017

Pursuant to the written resolutions passed by the Shareholders on 23 June 2017:

(a) our Company approved and conditionally adopted the Bye-laws;

(b) the authorised share capital of our Company was further increased from US$10,000 to US$100,000,000 by the creation of a further 9,999,000,000 Shares;

(c) conditional on (i) the Listing Division granting the listing of, and permission to deal in, the Shares in issue and to be issued in connected with the Share Offer and any Shares which may be issued under the Capitalisation Issues mentioned in this prospectus (including any Shares to be issued upon exercise of the Offer Size Adjustment Option); (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional; and (iii) the Underwriting Agreements not being terminated in accordance with the terms therein or otherwise, in each case on or before the date determined in accordance with the terms of the Underwriting Agreements:

   (i) the proposed Share Offer was approved and our Directors were authorised to approve the same and to allot and issue the Offer Shares;

   (ii) conditional upon the share premium account of our Company being credited as a result of the issue of the Offer Shares pursuant to the Share Offer, the Capitalisation Issue was approved, and our Directors were authorised to capitalise the amount of US$3,599,889 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 359,988,900 Shares for allotment and issue to the person(s) whose name(s) appear(s) on the register of members of our Company at the close of business on 23 June 2017 (or as they may direct) in proportion to their then respective share holdings in our Company (as nearly as possible without involving fraction), each carrying the same rights in all respects with the then existing issued Shares, and our Directors were authorised to effect the same, credit all the issued Shares pursuant thereto;

(d) a general unconditional mandate was given to the Directors to exercise all the powers of our Company to allot, issue and deal with (otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Bye-laws or pursuant to the grant of options under such share option scheme as may be adopted by our Company from time to time or other similar arrangement or pursuant to the exercise of any subscription or conversion rights attaching to any warrants or any securities which are convertible into Shares from time to time or pursuant to the Share Offer) unissued Shares or securities convertible into Shares, and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or agreed conditionally to be allotted and issued in the share capital of our Company, with a total nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue and to be issued immediately following completion of the Share Offer and the Capitalisation Issue (but excluding any Shares to be issued upon exercise of the Offer Size Adjustment Option), such mandate to remain in effect until the earliest of (i) the conclusion of the next annual general meeting of our Company; (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Bye-laws or any applicable laws to be held; or (iii) until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first;

(e) a general unconditional mandate was given to the Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares with a total nominal value not exceeding 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue (but excluding any Shares to be issued upon exercise of the Offer Size Adjustment Option), such mandate to remain in effect until the earliest of (i) the conclusion of the next annual general meeting of our Company; (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Bye-laws or any applicable laws to be held; or (iii) until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first;

(f) the general unconditional mandate mentioned in paragraph (d) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (e) above provided that such extended amount shall not exceed 10% of the aggregate of the total nominal value of the share capital of our Company in issue immediately following the completion of the Share Offer and the Capitalisation Issue, but excluding any Shares to be issued upon exercise of the Offer Size Adjustment Option.

4. Corporate reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the Listing. For information relating to the Reorganisation, please refer to the section headed "History, Reorganisation and group structure" of this prospectus for more details.

5. Changes in share capital of subsidiaries

The subsidiaries of our Company are referred to in the accountants' report of our Company, the text of which is set out in Appendix I to this prospectus.

Save as disclosed in the section headed "History, Reorganisation and group structure" in this prospectus, there has been no alteration in the share capital of any subsidiary of our Company within the two years preceding the date of this prospectus.

6. Further information about the Group's overseas and PRC establishments

Set out below is a summary of the corporate information of the subsidiaries of our Company:

(a) Singyes HK

Name of subsidiary	:	Singyes New Materials (H.K.) Company Limited (香港興業新材料有限公司)
Place of incorporation	:	Hong Kong
Date of establishment	:	28 November 2014
Nature	:	Limited liability company
Paid-up capital	:	US$1
Attributable interest to our Group	:	100%
Business scope	:	Investment holding

(b) Singyes Applicable Materials

Name of subsidiary	:	珠海興業應用材料科技有限公司 (Zhuhai Singyes Applicable Materials Technology Company Limited*)
Place of incorporation	:	the PRC
Date of establishment	:	31 March 2010
Nature	:	Limited liability company
Registered capital	:	RMB62,500,000
Paid-up capital	:	RMB62,500,000
Attributable interest to our Group	:	100%
Business scope	:	Manufacture and sale of ITO film, Smart Light-adjusting Film, Smart Light-adjusting Glass and Smart Light-adjusting Projection System.

7. Repurchase of Shares by our Company

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

(a) Provisions of the GEM Listing Rules

The GEM Listing Rules permit companies whose primary listing is on GEM to repurchase their securities on the Stock Exchange subject to certain restrictions, a summary of which is set out below:

(i) Shareholders' approval

All proposed repurchases of securities, which must be fully paid up in the case of shares, on the Stock Exchange by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of a general mandate or by a specific approval of a particular transaction.

* *For identification purpose only*

Note: Pursuant to a written resolution passed by all the Shareholders of our Company on 23 June 2017, a general unconditional mandate (the "**repurchase mandate**") was granted to the Directors authorising them to exercise all powers for and on behalf of our Company to repurchase its Shares on the Stock Exchange, or on any other approved stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue (but excluding any Shares to be issued upon exercise of the Offer Size Adjustment Option) at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by the Bye-laws or any applicable laws to be held or when such mandate is revoked, varied or renewed by an ordinary resolution of the shareholders of our Company in a general meeting, whichever is the earliest.

(ii) Source of funds

Any repurchase of securities must be funded out of funds legally available for such purpose in accordance with the Bye-laws, the applicable laws of the Bermuda and the GEM Listing Rules.

Repurchases of Shares by our Company may be made out of the capital paid up on the repurchased Shares or out of the funds of the Company otherwise available for dividend or distributions or out of the proceeds of a fresh issue of Shares made for the purpose. Any premium payable on the repurchase must be provided for out of funds of our Company otherwise available for dividend or distributions or out of our Company's share premium account before the Shares are repurchased.

A company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(iii) Shares to be repurchased

The GEM Listing Rules provide that the shares which are proposed to be repurchased by a company must be fully paid up.

(iv) Connected parties

Our Company is prohibited from knowingly repurchasing the Shares on GEM from a ''core connected person'' (as defined in the GEM Listing Rules), which by definition includes a Director, chief executive or substantial shareholder of our Company or any of its subsidiaries or a close associate of any of them, and a core connected person shall not knowingly sell Shares to our Company on GEM.

(v) Trading restrictions

A company is authorised to repurchase on GEM or on any other stock exchange recognised by the SFC and the Stock Exchange up to a maximum of 10% of the aggregate nominal value of the existing issued share capital of that company or warrants to subscribe for shares in the company representing up to 10% of the amount of warrants then outstanding at the date of the passing of the relevant resolution granting the repurchase mandate. A company may not issue or announce an issue of new securities of the type that have been repurchased for a period of 30 days immediately following a repurchase of securities whether on GEM or otherwise (except pursuant to the exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to the repurchase) without the prior approval of the Stock Exchange. A company is also prohibited from making securities repurchase on GEM if the result of the repurchases would be that the number of the listed securities in hands of the public would be below the relevant prescribed minimum percentage for that company as required and determined by the Stock Exchange. A company shall not purchase its shares on GEM if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on GEM.

(vi) Status of repurchased securities

The listing of all repurchased securities (whether on GEM or otherwise) is automatically cancelled and the certificates of the relevant securities must be cancelled and destroyed as soon as reasonably practicable.

(vii) Suspension of repurchase

Any securities repurchase programme is required to be suspended after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information is made publicly available. In particular, during the period of one month immediately preceding the earlier of (1) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company's results for any year, half year, quarter-year period or any other interim period (whether or not required by the GEM Listing Rules); and (2) the deadline for our Company to publish an announcement of its results for any year, or half-year or quarter-year period under the GEM Listing Rules, or any other interim period (whether or not required under the GEM Listing Rules), and in each case ending on the date of the results announcement, our Company may not purchase its securities on GEM unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit repurchases of securities on GEM if our Company has breached the GEM Listing Rules.

(viii) Reporting requirements

Repurchases of securities on GEM or otherwise must be reported to the Stock Exchange no later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Stock Exchange business day following any day on which our Company may make a purchase of Shares, reporting total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases, where relevant. In addition, a company's annual report and accounts are required to include a monthly breakdown of securities repurchases made during the financial year under review, showing the number of securities repurchased each month (whether on GEM or otherwise), the purchase price per share or the highest and lowest prices paid for all such repurchases and the total prices paid. The directors' report is also required to contain reference to the purchases made during the year and the directors' reasons for making such purchases. Our Company shall make arrangements with its broker who effects the purchase to provide our Company in a timely manner the necessary information in relation to the purchase made on behalf of the company to enable our Company to report to the Stock Exchange.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and the Shareholders for the Directors to have a general authority from the Shareholders to enable our Company to repurchase the Shares in the market. Repurchases of the Shares will only be made when the Directors believe that such repurchases will benefit our Company and the Shareholders as a whole. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share.

(c) Exercise of the purchase mandate

Exercise in full of the repurchase mandate on the basis of 480,000,000 Shares in issue immediately after the Listing could accordingly result in up to 48,000,000 Shares being purchased by our Company during the period prior to (1) the conclusion of the next annual general meeting of our Company; (2) the expiration of the period within which the next annual general of our Company is required by applicable laws or the Bye-laws; or (3) the revocation or variation of the purchase mandate by ordinary resolution of the shareholders of our Company in a general meeting, whichever occurs first.

(d) Funding of repurchases

Repurchases pursuant to the repurchase mandate would be financed out of funds of our Company legally available for such purpose in accordance with the Bye-laws, the GEM Listing Rules and the applicable laws of Bermuda. The Directors consider that, if the repurchase mandate was to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Company as compared with the position disclosed in this prospectus. However, the Directors do not propose to exercise the repurchase mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels.

(e) Director's undertaking

Our Directors have undertaken to the Stock Exchange that, they will exercise the power of our Company to make purchases of our Company's securities in accordance with the GEM Listing Rules, the applicable laws of Hong Kong and the Bye-laws.

(f) Disclosure of interests

None of the Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective associates, as defined in the GEM Listing Rules, has any present intention to sell any Shares to our Company or its subsidiaries. No connected person, as defined in the GEM Listing Rules, has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the repurchase mandate is exercised.

(g) Takeovers Code consequences

If, as a result of a repurchase of Shares pursuant to the repurchase mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code.

Accordingly, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase of shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase.

Save as aforesaid, the Directors are not aware of any consequences which may arise under the Takeovers Code if the repurchase mandate is exercised.

At present, so far as is known to the Directors, no Shareholder may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code in the event that our Directors exercise the power in full to repurchase the Shares pursuant to the Repurchase Mandate.

Our Directors will not exercise the repurchase mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the GEM Listing Rules).

No core connected persons (as defined in the GEM Listing Rules) of our Company have notified us of intention to sell securities to our Company and such persons have undertaken not to sell any such securities to our Company, if the Share Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF THE GROUP

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by our Company or any of its subsidiaries within the two years immediately preceding the date of this prospectus and are, or may be, material to the business of our Group taken as a whole:

(a) the Public Offer Underwriting Agreement;

(b) Deed of Indemnity;

(c) Deed of Non-competition;

(d) the share subscription agreement dated 1 March 2016 between our Company and Raton Race Investments Ltd, as subscriber, in relation to the subscription of an aggregate of 440 Shares for an aggregate consideration of US$792,000;

(e) the share subscription agreement dated 1 March 2016 between our Company and Kunlun Holdings Group Limited, as subscriber, in relation to the subscription of an aggregate of 660 Shares for an aggregate consideration of US$1,188,000;

(f) the support services agreement dated 30 September 2015 and a supplemental agreement dated 5 May 2017 (collectively, the "**Support Services Agreement**") between Singyes Applicable Materials and Singyes Energy-saving in relation to the provision of meal services to the employees of Singyes Applicable Materials at the rate of RMB3 per breakfast per person and RMB11 per lunch or dinner per person from 1 October 2015 to 30 September 2018; and

(g) the lease agreement dated 29 September 2015 and the supplemental lease agreement dated 1 March 2016 and a further lease agreement dated 24 April 2017 (collectively, the "**Lease Agreement**") in relation to (i) the leasing of the premises located at Levels 1 and 2 of Factory Building No. 7 of Zhuhai Xingye New Energy and Industrial Park, 9 Jinzhu Road, Gaoxin district, Zhuhai city, Guangdong province of the PRC. with a gross floor area of approximately 5,740 sq.m. ("**Premises**") for the period from 1 October 2015 to 30 September 2018 at the rate of RMB15 per square metre per month and (ii) the provision of certain facilities and amenities at the Premises (including office furniture, elevators, air-conditionings, furniture, computers and softwares) at no extra costs while water and electricity charges will be charged based on consumption at the rates specified in the lease agreement.

2. Intellectual property rights of the Group

(a) Domain names

As at the Latest Practicable Date, our Group had registered the following domain name(s) which were principally used by our Group in its business operations:

Domain name	Expiry Date	Registered owner	Registration Date
www.syeamt.com	25 August 2017	Singyes Applicable Materials	25 August 2015

Note: Contents in the domain do not form part of this prospectus.

(b) Registered patents owned by our Group

As at the Latest Practicable Date, our Group had registered the following patents in the PRC which our Directors consider to be or may be material to the business of our Group:

Patent name	Patent Type	Nature of patent	Patent registration number	Date of application	Expiration date
ITO light-adjusting film square wave power	Utility model	Self-developed product/ technology patent	ZL2014200275122	17 January 2014	17 January 2024
Colour high-efficiency selective heat absorbing coating	Utility model	Self-developed product/ technology patent	ZL2012202291313	22 May 2012	22 May 2022
Macromolecule film LCD light-adjusting conductive film	Utility model	Self-developed product/ technology patent	ZL2012202293709	22 May 2012	22 May 2022
Aerogel double-glazed glass photovoltaic component	Utility model	Other intellectual property know-how	ZL2014200051348	6 January 2014	6 January 2024
Flexible transparent conductive film	Utility model	Self-developed product/ technology patent	ZL2012202284165	21 May 2012	21 May 2022
Spectacle lenses antifogging transparent conductive film	Utility model	Self-developed product/ technology patent	ZL2012202285030	21 May 2012	21 May 2022
LCD light-adjusting film flexible transparent conductive film	Utility model	Self-developed product/ technology patent	ZL2012202293037	22 May 2012	22 May 2022

Patent name	Patent Type	Nature of patent	Patent registration number	Date of application	Expiration date
A photovoltaic smart LCD light-adjusting glass window	Utility model	Self-developed product/ technology patent	ZL2014204879494	28 August 2014	28 August 2024
A contact high vacuum static electricity removing device	Utility model	Self-developed production techniques and/or method	ZL2012203058890	28 June 2012	28 June 2022
A special cutter device for light-adjusting film cutting	Utility model	Self-developed production techniques and/or method	ZL201320786970X	4 December 2013	4 December 2023
Smart LCD light-adjusting glass	Utility model	Self-developed product/ technology patent	ZL2012201957168	4 May 2012	4 May 2022
Self-adhesive light-adjusting film	Utility model	Self-developed product/ technology patent	ZL2013203528369	19 June 2013	19 June 2023
Capacitive touch screen flexible conductive film	Utility model	Other intellectual property know-how	ZL2012202281025	21 May 2012	21 May 2022
Baffle steady flow air heat collector	Utility model	Other intellectual property know-how	ZL2013203222993	6 June 2013	6 June 2023
Solar grid hybrid human induction fan	Utility model	Other intellectual property know-how	ZL2012206139601	20 November 2012	20 November 2022
A solar air heat collector with back air in and out	Utility model	Other intellectual property know-how	ZL2012201968228	4 May 2012	4 May 2022
A photovoltaic building integrated system in rain curtain form	Utility model	Other intellectual property know-how	ZL2014200053377	6 January 2014	6 January 2024
An efficient and environmental friendly selective absorption coating	Utility model	Other intellectual property know-how	ZL2012201977161	5 May 2012	5 May 2022
A flush-resistant graphite rotor	Utility model	Other intellectual property know-how	ZL2013202604007	14 May 2013	14 May 2023

Patent name	Patent Type	Nature of patent	Patent registration number	Date of application	Expiration date
A digital performance test device for air heat collector	Utility model	Other intellectual property know-how	ZL2012201959286	4 May 2012	4 May 2022
A lightweight photovoltaic component with transparent thin layer upper panel	Utility model	Other intellectual property know-how	ZL2013201828299	12 April 2013	12 April 2023
A frameless solar collector	Utility model	Other intellectual property know-how	ZL2012205310829	17 October 2012	17 October 2022
A transparent solar collector for doors, windows and curtain wall	Utility model	Other intellectual property know-how	ZL2012205314088	17 October 2012	17 October 2022
An insulated photovoltaic component with vacuum glass combining insulating glass	Utility model	Other intellectual property know-how	ZL201320229177X	2 May 2013	2 May 2023
A smart solar air conditioning system	Utility model	Other intellectual property know-how	ZL2012207107699	21 December 2012	21 December 2022
A high efficiency cool and heat supply of heat pipe radiating component	Utility model	Other intellectual property know-how	ZL2015208558054	30 October 2015	30 October 2025
A three linkage control device based on RFID Technology	Utility model	Other intellectual property know-how	ZL2015206726002	22 August 2016	22 August 2026
An electronic control light-adjusting glass control device	Utility model	Self-developed product/ technology patent	ZL2015205879212	20 October 2015	20 October 2025
A target air channel with wide flexible substrate magnetron sputtering coating equipment	Utility model	Self-developed production techniques and/or method	ZL2016200898743	9 January 2016	9 January 2026
A heating Smart LCD light-adjusting glass	Utility model	Self-developed product/ technology patent	ZL2015211088660	29 December 2015	29 December 2025
A safe and stable Smart Light-adjusting Film conductive structure	Utility model	Self-developed product/ technology patent	ZL201621202027X	7 November 2016	6 November 2026
Media system on subway screen doors Smart Light-adjusting Glass stabilising door	Utility model	Self-developed product/ technology patent	ZL2016212152315	11 November 2016	10 November 2026

As at the Latest Practicable Date, our Group has applied for the registration of the following patents:

Patent name	Patent type	Patent registration number	Date of application	Applicant
UV glue light-adjusting glass	Utility model	201520132485.X	9 March 2015	Zhuhai Singyes Applicable Materials Technology Company Limited
LCD light-adjusting and projection system	Utility model	201520587663.8	7 August 2015	Zhuhai Singyes Applicable Materials Technology Company Limited
LCD light-adjusting and projection system	Invention	201510477950.8	7 August 2015	Zhuhai Singyes Applicable Materials Technology Company Limited
UV glue light-adjusting glass	Invention	201510108399X	12 March 2015	Zhuhai Singyes Applicable Materials Technology Company Limited, Zhuhai Singyes Green Building Technology Co Ltd, Zhuhai Singyes Renewable Energy Technology Co., Ltd
Low voltage light-adjusting film and its installation method	Invention	2016109582149	3 November 2016	Zhuhai Singyes Applicable Materials Technology Company Limited

(c) Registered trademarks owned by the Group

As at the Latest Practicable Date, our Group has registered the following trademarks in the PRC which our Directors consider to be or may be material to our Group's business:

Trademark	Place of registration	Class	Registration Number	Validity period
SYM	the PRC	17	19507940	14 May 2017 to 13 May 2027
SYM	the PRC	19	19508151	14 May 2017 to 13 May 2027

As at the Latest Practicable Date, our Group had made applications for trademark registration in Hong Kong and the PRC of the following trademarks which our Directors consider to be or may be material to our Group's business:

Trademark	Place of registration	Class	Application number	Status
SYM	Hong Kong	9, 17, 19	303818421	Publication for opposition at the Hong Kong Intellectual Property Journal
SYM	the PRC	9	19507715	Application in progress
视界波	the PRC	9	20210109	Application in progress

Save as disclosed above, there are no other domain names, patents, trademarks or other intellectual property rights which are material in relation to our Group's business.

C. FURTHER INFORMATION ABOUT DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND EXPERTS

1. Particulars of Directors' service contracts and letters of appointment

Each of our executive Directors has entered into a service contract with our Company commencing from the Listing Date for a term of three years commencing unless terminated in accordance with the terms therein. Under the terms of the service contract, the service contract may be terminated by not less than three months prior written notice or otherwise served by either party on the other. The term of service of a Director is subject to retirement by rotation by Directors as set out in the Bye-laws.

The basic annual remuneration (excluding any discretionary bonus, performance bonus or other fringe benefits which may be paid) (prorated for an incomplete year) payable by our Group to each of our executive Directors after the Listing Date are set out below:

Name	**Salaries and allowances** *(HK$)*
Sun Jinli	150,000
Zhao Feng	150,000
Zhang Chao	150,000
Tang Liwen	150,000

The basic monthly salary payable by our Company to the relevant executive director is subject to annual review by our Board and the remuneration committee of our Company provided that any increment in the basic monthly salary shall not exceed 15% of the monthly salary for the preceding year.

Each of our executive Directors will be entitled to a discretionary bonus and a performance bonus as may be determined by the remuneration committee of our Company from time to time by reference to the financial performance of our Company as well as the individual performance of the relevant executive Directors.

Our non-executive Director, Mr. Liu Hongwei, and independent non-executive Directors, Mr. Lee Kwok Tung Louis, Mr. Wei Junfeng, and Ms. Li Ling have signed a letter of appointment dated 23 June 2017 with our Company for an initial term of three years from the Listing Date. The annual director's fees payable by our Company to each of our non-executive Director and independent non-executive Directors are an aggregate amount of approximately HK$600,000 respectively according to the letters of appointment. Our independent non-executive Directors are not entitled to any discretionary bonus, performance bonus or other fringe benefits. Their term of service is subject to the provisions on retirement by rotation of Directors as set out in the Bye-laws.

Save as disclosed above, none of our Directors has entered into a service contract with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

2. Directors' remuneration

For the years ended 31 December 2014, 2015 and 2016, the total remuneration (including salaries and allowances, discretionary bonus and contributions to pension scheme) paid to our Directors by our Group were approximately nil, RMB228,000 and RMB77,000, respectively.

The five highest paid employees during the Track Record Period included one Director for the years ended 31 December 2015 and no Director for the years ended 31 December 2014 and 2016. The total remuneration (including salaries and bonus, allowances, and pension scheme contributions) paid to our Company's remaining five, four and four highest paid employees by our Group respectively over the years ended 31 December 2014, 2015 and 2016 respectively (all of whom were neither a Director nor a chief executive of our Company) was approximately RMB935,000, RMB705,000 and RMB675,000, respectively.

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Company. No compensation was paid by us to, or receivable by, our Directors or former Directors or the five highest paid individuals for each of the years during the Track Record Period for the loss of any office in connection with the management of the affairs of any subsidiary of our Company.

There was no arrangement under which a Director waived or agreed to waive any emoluments over the Track Record Period.

Save as disclosed above, no other payments have been made or are payable in respect of the Track Record Period by any member of our Group to any of our Directors.

Pursuant to the current arrangements in force, it is anticipated that, for the year ending 31 December 2017, an aggregate amount of approximately HK$600,000 will be payable to our Directors as remuneration and benefits in kind (excluding any commission or discretionary bonus) by our Group.

3. Disclosure of interests of our Directors in dealings with our Group

None of our Directors or their close associates engaged in any dealing with our Group during the Track Record Period.

4. Disclosure of interests and short positions of our Directors and our chief executive of our Company in the Shares, underlying Shares or debentures of our Company and our associated corporations

Immediately following completion of the Capitalisation Issue and Share Offer (without taking into account any Shares that may be issued upon exercise of the Offer Size Adjustment Option or that may be taken up pursuant to the Preferential Offering), the interests and short position of our Directors and our chief executive in the shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which, once the Shares are listed on GEM, would be required to be notified to our 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 provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the GEM Listing Rules will be as follows:

(a) Interests in the Shares of our Company

Name	Capacity/nature of interest	Number of Shares held/interested immediately following completion of the Capitalisation Issue and Share Offer	Percentage of shareholding immediately following completion of the Capitalisation Issue and Share Offer
Mr. Liu	Interest in controlled corporation	324,324,325	67.6%

Notes: Top Access, which is a wholly-owned subsidiary of Singyes Solar, is the beneficial owner of 324,324,325 Shares of our Company. Strong Eagle is a Controlling Shareholder of Singyes Solar and is legally and beneficially owned as to 53.0% by Mr. Liu. Mr Liu is deemed to be interested in the Shares to which Strong Eagle is interested in pursuant to Part XV of the SFO.

(b) Interests in the shares of Singyes Solar, an associated corporation

Name	Capacity/nature of interest	Number of Shares held/interested immediately following completion of the Capitalisation Issue and Share Offer	Percentage of shareholding immediately following completion of the Capitalisation Issue and Share Offer
Mr. Liu	Interest in a controlled corporation *(Note 1)*	305,858,750	36.7%
Mr. Liu	Beneficial owner *(Note 2)*	1,386,056	0.2%
Mr. Sun	Beneficial owner *(Note 2)*	1,386,056	0.2%

Notes

1: The 305,858,750 shares are held by Strong Eagle which is a limited liability company incorporated in the BVI and is the legal and beneficial owner of 305,858,750 shares of Singyes Solar, representing approximately 36.6% of the issued share capital in Singyes Solar. Strong Eagle is legally and beneficially owned by Mr. Liu, Mr. Sun, Mr. Xie Wen, Mr. Xiong Shi and Mr. Zhuo Jianming, as to 53%, 15%, 13%, 10% and 9% respectively. Mr. Liu is deemed to be interested in the shares in Singyes Solar in which Strong Eagle is interested pursuant to Part XV of the SFO.

2: Such interests represent the share options of Singyes Solar held by the relevant Director.

5. Disclosure of interests under the SFO and disclosure of interests for substantial Shareholders

So far as our Directors are aware and without taking into account any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or that may be taken up pursuant to the Preferential Offering, the following persons (other than our Directors and our chief executives of our Company) will, immediately following completion of the Capitalisation and Share Offer have beneficial interests or short positions in any Shares, underlying Shares or debentures of our Company which are required to be disclosed to our Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at the general meetings of members of our Group or any of its subsidiaries:

(a) Interests in the Shares of our Company

Name of shareholder	Nature of interest	Number of Shares held/interested immediately following the Capitalisation Issue and Share Offer	Approximate percentage of shareholdings immediately following completion of the Capitalisation Issue and Share Offer
Top Access	Beneficial owner	324,324,325 (long position)	67.6%
Singyes Solar	Interest in a controlled corporation *(Note 1)*	324,324,325 (long position)	67.6%
Strong Eagle	Interest in a controlled corporation *(Note 2)*	324,324,325 (long position)	67.6%
Mr. Liu	Interest in a controlled corporation *(Note 3)*	324,324,325 (long position)	67.6%

Notes:

1. The entire issued share capital of Top Access is legally and beneficially owned by Singyes Solar, which is deemed to be interested in the Shares held by Top Access under Part XV of the SFO.

2. Strong Eagle is a limited liability company incorporated in the BVI and is the legal and beneficial owner of 305,858,750 shares of Singyes Solar, representing approximately 36.7% of the issued share capital in Singyes Solar. Strong Eagle is deemed to be interested in the Shares in which Singyes Solar is interested (through its shareholding in Top Access) pursuant to Part XV of the SFO.

3. Strong Eagle is legally and beneficially owned by Mr. Liu, Mr. Sun, Mr. Xie Wen, Mr. Xiong Shi and Mr. Zhou Jianming as to 53%, 15%, 13%, 10% and 9% respectively. Mr. Liu is deemed to be interested in the Shares in which Strong Eagle is interested (through its shareholding in Singyes Solar) pursuant to Part XV of the SFO.

6. Related party transactions

Details of related party transactions are set out under note 27 in the section headed "Notes to the financial information" of the accountants' report set out in Appendix I to this prospectus and the section headed "Connected transactions" in this prospectus.

7. Agency fees or commissions received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms were granted within the two years preceding the date of this prospectus in connection with the issue or sale of any capital of any member of our Group.

8. Disclaimers

Save as disclosed herein:

(a) taking no account of any Shares which may be issued upon the exercise of the Offer Size Adjustment Option, none of our Directors or the chief executives of our Company had any interest or short position in any of the Shares, underlying Shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our 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 deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, in each case once the Shares are listed on GEM;

(b) taking no account of any Shares which may be repurchased by our Company pursuant to the mandate as referred to in the paragraph headed "A. Further information about our Company" in this appendix, and taking no account of any Shares which may be issued upon the exercise of the Offer Size Adjustment Option, our Directors are not aware of any person (other than our Directors or the chief executive of our Company) who will, immediately following completion of the Share Offer, have an interest and/or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests and/or short positions which they are deemed to have under such provisions of the SFO) or who will, either directly or indirectly, be expected to be interested in 10% or more of nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group;

(c) none of our Directors nor any of the persons whose names are listed in the section headed "D. Other information — 9. Qualifications of experts" in this Appendix IV were directly or indirectly interested in the promotion of our Company, or has any direct or indirect interest in any assets which have been acquired or disposed of by or leased to our Company or any of its subsidiaries, within the two years immediately preceding the date of this prospectus, or were proposed to be acquired or disposed of by or leased to our Company or any of its subsidiaries nor will any Director apply for Offer Shares either in his own name or in the name of a nominee;

(d) none of the persons whose names are listed in the section headed "D. Other information — 9. Qualifications of experts" of this Appendix IV are materially interested in any contract or arrangement subsisting at the date of this prospectus which was significant in relation to the business of our Group;

(e) none of our Directors nor any of the persons whose names are listed in the section headed "D. Other information — 9. Qualifications of experts" in this Appendix IV has received any agency fee, commissions, discounts, brokerage or other special terms from our Group within the two years immediately preceding the date of this prospectus in connection with the issue or sale of any capital of any member of our Group;

(f) none of the parties referred to under the paragraph headed "Consents of experts" are interested legally or beneficially in any securities of any member of our Group and has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of our Group;

(g) none of our Directors are materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken; and

(h) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the GEM Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company have any interests in the five largest customers or the five largest suppliers of our Group.

D. SHARE OPTION SCHEME

As at the Latest Practicable Date, our Company has not adopted any share option scheme and our Directors confirmed that they do not have any present intention to adopt or implement a share option scheme for any member of our Group.

E. OTHER INFORMATION

1. Estate duty, tax and other indemnities

Estate Duty

Pursuant to The Revenue (Abolition of Estate Duty) Ordinance 2005 which came into effect on 11 February 2006 in Hong Kong, estate duty ceased to be chargeable in Hong Kong in respect of the estates of persons dying on or after that date. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application for a grant of representation in respect of holders of Shares whose death occur on or after 11 February 2006.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries in the Bermuda or the PRC or Hong Kong in which the companies comprising our Group are incorporated. Under present Bermuda law, there is no Bermuda tax in the nature of estate duty applicable to shares, debentures or other obligations of our Company held by non residents of Bermuda.

Stamp Duty

Dealings in the Shares will be subject to Hong Kong stamp duty. The current ad valorem rate of Hong Kong stamp duty is 0.1% on the higher of the consideration for or the market value of the Shares and it is charged on the purchaser on every purchase and on the seller on every sale of the Shares. A total stamp duty of 0.2% is currently payable on a typical sale and purchase transaction involving the Shares.

Under present Bermuda law, transfers and other dispositions of Shares are exempt from Bermuda stamp duty. An exempted company is exempt from all stamp duties except on transactions involving "Bermuda property" which relates to real and personal property physically situated in Bermuda.

Deed of Indemnity

Singyes Solar (the "**Indemnifier**") has entered into the Deed of Indemnity with and in favour of our Company (for ourselves and as trustee for each of our subsidiaries) to provide indemnities in respect of, among other matters, any liability for tax, legal non-compliances and/or certain outstanding legal proceedings against any member of our Group which might be incurred by any member of our Group on or before the Listing Date ("**Effective Date**").

Under the Deed of Indemnity, the Indemnifier has given indemnities to our Group in relation to (i) the amount of any and all taxation which might be payable by any member of our Group resulting from or by reference to any revenue (including in the form of government financial assistance, subsidy or rebate), income, profits or gains earned, accrued, received or made (or deemed to be so earned, accrued, received or made) on the Effective Date or any event or transaction, acts, omission, matters, events or things entered into or occurring or deemed to occur on or before the Effective Date, whether alone or in conjunction with any other events, acts or circumstances wherever, however and whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company (including any taxation resulting from receipt by our Group of any amounts paid by the Indemnifier under the Deed of Indemnity); (ii) any liability due to failure or alleged failure to comply with any applicable laws, rules and regulations which any member of our Group may suffer or incur as a result of such non-compliances as they may continue to be subsisting as at the Effective Date. For the avoidance of doubt, this includes any liability arising from the failure of any member of our Group in paying social security payments to the PRC authorities; (iii) any liability due to the non-compliance issue arising from co-

contributing the social insurance and housing fund contributions below the amount as required by the 住房公積金管理條例 (PRC Social Insurance Law and the Hosing Provident Fund Management Regulations*) during the Track Record Period; (iv) any liability directly or indirectly due to any litigation, proceeding, investigation, enforcement proceeding, arbitration, claims (including counter-claims), complaints, demands and/or process by any governmental, administrative or regulatory body to which any member of our Group may be involved in or before the Effective Date and/or which arises due to some act or omission of, or transaction voluntarily effected by our Group save for the following:

(a) to the extent that full provisions or allowance has been made in the audited accounts of members of our Group for an accounting period ended on or before 31 December 2015;

(b) to the extent that such liability arises or is incurred as a result of any retrospective change in law or retrospective increase in tax rates coming into force after the Effective Date;

(c) to the extent that such liability is fully discharged by a valid policy of insurance in force; or

(d) to the extent of any provisions or reserve made for such liability in the audited accounts of our Group up to 31 December 2016 which is finally established to be an over-provision or an excessive reserve provided that the amount of any such provision or reserve applied to reduce Indemnifier's liability in respect of such liability shall not be available in respect of any such liability arising thereafter.

2. Litigation

Save as disclosed in the section headed "Business – Regulatory compliance and legal proceedings" in this prospectus, as at the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or claim of material importance and, so far as the Directors are aware, no litigation, arbitration or claim of material importance is pending or threatened by or against any member of our Group that would have a material adverse effect on our business, results of operations or financial condition.

3. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the GEM Listing Committee for a listing of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this prospectus.

Save as disclosed in this prospectus, neither the Sole Sponsor nor any of its close associates have or may have, as a result of the Share Offer, any interest in any securities of our Company or any other member of our Group (including rights to subscribe for such securities).

Neither the Sole Sponsor nor any of its close associates have accrued any material benefit as a result of the successful outcome of the Share Offer, other than the following:

(a) by way of documentation and financial advisory fee to be paid to the Sole Sponsor for acting as the sponsor of the Share Offer; and

(b) by way of the compliance adviser fee to be paid to the Sole Sponsor for acting as our Company's compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules.

None of the directors and employees of the Sole Sponsor have any directorship in our Company or any other companies comprising our Group.

The Sole Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 6A.07 of the GEM Listing Rules.

The sponsor's fee in relation to the Listing is approximately HK$5.0 million, and the Sole Sponsor will be reimbursed for their expenses properly incurred in connection with the Share Offer.

4. Preliminary expenses

The preliminary expenses payable by our Company are estimated to be about US$6,000.

5. Promoter

Our Company has no promoter for the purposes of the GEM Listing Rules.

6. Agency fees or commissions received

Save as disclosed in this prospectus, no commission has been paid by our Group relating to the pre-IPO Investments as described in the section headed "History, Reorganisation and group structure — Pre-IPO investments" of this prospectus. Within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of its subsidiaries.

7. Registration procedures

The register of members of our Company will be maintained in Bermuda by Conyers Corporate Services (Bermuda) Limited and a Hong Kong branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Company's Hong Kong branch share registrar in Hong Kong and may not be lodged in the Bermuda. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

8. Taxation of holders of Shares

Dealings in Shares will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

Potential holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares.

None of our Company, our Directors or other parties involved in the Listing can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

9. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
Octal Capital Limited	A corporation licensed to carry on for type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Ernst & Young	Certified public accountants
Grandall Law Firm (Shanghai)	Legal advisers as to the PRC law
Conyers Dill & Pearman	Bermuda attorneys-at-law
Frost & Sullivan	Independent market research consultant

10. Consents of experts

Each of the experts named in the paragraph headed "9. Qualification of experts" under this section of this Appendix IV has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or certificates and/or opinions and/or references to its name (as the case may be) included in the form and context in which they are respectively included.

11. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

12. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong) and Rule 14.25 of the GEM Listing Rules. In case of any discrepancies between the English language version and the Chinese language version, the English language version shall prevail.

13. No material adverse changes

Save for the disclosed in the section headed "Financial information — Material adverse change" in this prospectus, our Directors confirmed that, up to the Latest Practicable Date, there has been no material adverse change in financial or trading position or prospects of our Group since 31 December 2016 (being the date on which the latest financial information of our Group was reported in the Accountants' Report included in Appendix I of this prospectus) and up to the Latest Practicable Date.

14. Miscellaneous

(a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:

(i) no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of its subsidiaries;

(iii) no commission has been paid or payable (except to sub-underwriter) for subscribing or agreeing to subscribe, procuring or agreeing to procure subscriptions, for any shares or debenture of our Company or any of its subsidiaries;

(iv) no founders, management or deferred shares of our Company or any of its subsidiaries have been issued or agreed to be issued; and

(v) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(b) None of the persons whose names are listed in the paragraph headed "9. Qualifications of experts" under this section of this Appendix IV:

(i) is interested beneficially or non-beneficially in any shares in any member of our Group; or

(ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group.

(c) No company within our Group is presently listed on any stock exchange or traded on any trading system.

(d) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 24 months immediately preceding the date of this prospectus.

(e) There are no arrangements in existence under which future dividends are to be or agreed to be waived.

(f) All necessary arrangements have been made to enable the Shares to be admitted into the CCASS for clearing and settlement.

(g) Our Company and our subsidiaries do not have any debt securities issued or outstanding, or authorised or otherwise created but unissued, or any term loans whether guaranteed or secured as at the Latest Practicable Date.

(h) Our Group had not issued any debentures nor did it have any outstanding debentures nor any convertible debt securities as at the Latest Practicable Date.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

A copy of this prospectus, together with copies of the written consents referred to the paragraph headed "Consents of experts" in Appendix IV to this prospectus and copies of material contracts referred to in paragraph headed "Summary of material contracts of our Group" in Appendix IV to this prospectus have been delivered to the Registrar of Companies in Hong Kong for registration..

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Jeffrey Mak Law Firm at 1309, 13th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum of Association and the Bye-laws;

(b) the accountants' report dated 30 June 2017 from Ernst & Young, the text of which is set out in Appendix I to this prospectus;

(c) the audited consolidated financial statements prepared for the companies comprising our Group for the financial years ended 31 December 2014, 31 December 2015 and 31 December 2016 respectively;

(d) our unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;

(e) the letter of advice prepared by Conyers Dill & Pearman, our Company's legal advisors on Bermuda law, summarising certain aspects of Bermuda company law as referred to at the end of Appendix III to this prospectus;

(f) the material contracts referred to in the section headed "B. Further information about the business of our Group — 1. Summary of material contracts" in Appendix IV to this prospectus;

(g) the PRC legal opinion issued by Grandall Law Firm (Shanghai); and

(h) the independent industry research report dated 30 June 2017 commissioned by our Company and prepared by Frost & Sullivan in relation to the industry of our Group;

(i) the service contracts and letters of appointment referred to in the section headed "C. Further Information about our Directors and Substantial Shareholders — 1. Particulars of Directors' service contracts and letters of appointment" in Appendix IV to this prospectus;

(j) the written consents referred to in the section headed “D. Other information — 10. Consents of experts” in Appendix IV to this prospectus; and

(k) the Companies Act.

中國興業新材料控股有限公司
China Singyes New Materials Holdings Limited