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.