
THE SPIN-OFF AND THE PREFERENTIAL OFFERING

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

THE SPIN-OFF AND THE PREFERENTIAL OFFERING

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.