
CONNECTED TRANSACTIONS

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.

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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			Annual caps under		
	<i>(in RMB)</i>			the Support Services Agreement		
	Year ended 31 December			<i>(in RMB)</i>		
	2014	2015	2016	For the year ending 31 December		
				2017	2018	2019
Transaction amounts/ expected transaction amounts	401,137 <i>(Note)</i>	573,397 <i>(Note)</i>	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.

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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.

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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			Annual caps under		
	<i>(in RMB)</i>			the Support Services Agreements		
	Year ended 31 December			<i>(in RMB)</i>		
	2014	2015	2016	For the year ending 31 December		
				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.

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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.