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
	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	Date
	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

	Hypothetical increase/ (decrease) in percentage	For the year ended 31 December 2014 (Decrease)/ increase in profit before income tax RMB'000	2014 (Decrease)/ increase in profit/ loss for the year (note) RMB'000	2015 (Decrease)/ increase in profit before income tax RMB'000	2015 (Decrease)/ increase in profit/ loss for the year (note) RMB'000	2016 (Decrease)/ increase in profit before income tax RMB'000	2016 (Decrease)/ increase in profit/ loss for the year (note) 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.