
FUTURE PLANS AND USE OF PROCEEDS

BUSINESS OBJECTIVES AND STRATEGIES

Our business objectives is to further enhance our production efficiency and product quality, maintain and/or consolidate our market position as well as improve our brand reputation in the markets in which we operate through (i) the enhancement of our product quality and broadening of our product range and applications through research and development; (ii) improving our production efficiency through enhancement projects; and (iii) expanding our presence in overseas market through market participation and cooperation with overseas agencies. Please refer to section headed “Business — Our business strategies” for details of our strategies.

IMPLEMENTATION PLAN

Our Directors have drawn up an implementation plan for the period up to 31 December 2019 with a view to achieving our business objectives. The detailed implementation plan and expected timetable for the implementation of the plan in relation to items requiring us to make material financial commitments are summarised below.

Investors should note that the following implementation plans are formulated on the bases and assumptions referred to in the paragraph headed “Bases and key assumptions” below. These bases and assumptions are inherently subject to uncertainties and unpredictable factors, in particular the risk factors set forth in the section headed “Risk factors” in this prospectus. Our actual course of business may vary from the business objective set out in this prospectus. There is no assurance that our plans will materialise in accordance with our expected time frame or that our objective will be accomplished. Whilst the actual course of events may invariably encounter unforeseeable changes and fluctuations, we shall use our best endeavours to anticipate changes, yet allowing for flexibility to implement the following plans.

From the Latest Practicable Date to 31 December 2017

Business strategy	Use of proceeds	Implementation plan
Overseas business expansion	HK\$0.5 million	— conduct further research regarding market trends and customer preferences and collect market intelligence relating to target overseas markets
	HK\$0.6 million	— negotiations and engagements of sales agents in identified target markets including the United States, France and India

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Business strategy	Use of proceeds	Implementation plan
Research and development of new materials and products	HK\$0.8 million	— continue research, development and testing of anti-reflective flexible film for mass production (expected in second half of 2017)
	HK\$0.5 million	— continue research, development and testing of safer switches for Smart Light-adjusting Products (expected in second half of 2017)
Purchase of machinery and equipment for production of anti-ambient screen	HK\$6.8 million	— identification of target machinery and equipment (including film laminating machine, slitting machine, laser cutter, numerically controlled multi-axle machine) with considerations as to design, functionality, performance and configurations (expected in the month of July 2017)
		— devise and evaluate acquisition plan including quotation assessment and budget planning (expected in the month of July 2017)
		— identify suppliers of machinery and equipment, negotiate terms and conditions of supply, enter into supply agreement and devise plan for implementation and installation of machinery and equipment (expected over the months of August 2017 to September 2017)
		— receipt, installation and testing trial-run of acquired machinery and equipment (expected over the months from October 2017 to December 2017)
		— full implementation and use of production line (expected in January 2018)

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Business strategy	Use of proceeds	Implementation plan
Enhancement to wide ITO film	HK\$4.3 million	<ul style="list-style-type: none"> — enter into discussion with overseas supplier(s) to devise plan, and enter into agreement, for the enhancement of ITO sputtering machine (including installation of cooling system, off-track avoidance device, online monitoring system and static electricity removing device) to improve the efficiency, and reduce wastage of raw materials, over the sputtering process as well as to improve quality of resulting ITO film (expected over the months of June 2017 and July 2017) — production, importation, installation and trial-run testing of enhanced ITO sputtering machine (expected over the months from August 2017 to November 2017) — full implementation and use of enhanced ITO sputtering machine (expected in December 2017)
Working capital	HK\$2.9 million	<ul style="list-style-type: none"> — general working capital
Total	HK\$16.4 million	

For the six months ending 30 June 2018

Business strategy	Use of proceeds	Implementation plan
Overseas business expansion	HK\$0.9 million	<ul style="list-style-type: none"> — develop relationships and negotiate supply terms with corporate entities (including distributors, suppliers, retailers and agencies) in identified target markets including Israel, Canada and Japan — provision of product samples, arrange physical visits and receptions
	HK\$0.5 million	<ul style="list-style-type: none"> — promotions and marketing to increase our brand exposure through global online trading platforms
	HK\$2.0 million	<ul style="list-style-type: none"> — attending exhibitions in Dubai and Japan

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Business strategy	Use of proceeds	Implementation plan
Research and development of new materials and products	HK\$1.0 million	— research, development and testing of second generation large-size laser touch-screen
	HK\$1.0 million	— research, development and testing of bullet-proof reinforced Smart Light-adjusting Products
	HK\$1.0 million	— research, development and testing of laser projection advertising system for expected production commencement (expected by June 2018)
	HK\$0.8 million	— research, development and testing of outdoor power switch for Smart Light-adjusting Products for expected production commencement in April 2018 and mass production (expected by June 2018)
Project for full automation of production line for Smart Light-adjusting Products	HK\$6.0 million	— identification of target machinery from overseas and PRC suppliers (including automatic cutter, automatic scroller and sealing machine) with considerations as to functionality, performance and configurations (expected in the months of January 2018 and February 2018)
		— devise and evaluate acquisition plan including quotation assessment and budget planning (expected in the months of March 2018 and April 2018)
		— carrying out market research on supplier(s), identify suitable supplier(s) and cooperate with supplier(s) in research and development to confirm configuration of machinery, enter into cooperation agreement for development of production facilities and production of product samples (expected over the months of May 2018 and June 2018)

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Business strategy	Use of proceeds	Implementation plan
Establishment and mass production of domestic laser home cinema systems	HK\$5.5 million	<ul style="list-style-type: none"> — identify target machinery and equipment (including assembly and production equipment and optical and integrated inspection devices) and devise plan for the acquisition, implementation and installation of machinery and equipment for the establishment of production line for mass production of domestic home cinema systems involving the assembly of anti-ambient screen, portable projector and integrated control system (expected over the months of January 2018 and February 2018) — carrying out market research on supplier(s), identify suitable supplier(s), negotiate terms and conditions and enter into supply agreement (expected over the months of March 2018 to June 2018) — production, receipt, installation, trial-run testing, and full implementation and use of production line (expected in July 2018)
Sales and marketing efforts in the PRC	HK\$3.0 million	<ul style="list-style-type: none"> — attendance of various industry related exhibitions in the PRC (including exhibitions relating to hotel construction, glass industry, construction materials and the China Import and Export Fair)
Working capital	HK\$2.4 million	<ul style="list-style-type: none"> — general working capital
Total	HK\$24.1 million	

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For the six months ending 31 December 2018

Business strategy	Use of proceeds	Implementation plan
Overseas business expansion	HK\$1.0 million	— develop relationships and negotiate supply terms with corporate entities (including distributors, suppliers, retailers and agencies) in identified target markets including Brazil and other South American and African countries
		— provision of product samples, arrange physical visits and receptions
	HK\$0.5 million	— promotions and marketing to increase our brand exposure through global online trading platforms
	HK\$1.0 million	— attending international building materials and/or glass industry exhibition in the United States, Brazil, Japan and Germany
Research and development of new materials and products	HK\$2.0 million	— research, development, collaboration and testing of a new version of graphene Smart Light-adjusting Film
	HK\$2.0 million	— research, development and developing tailor-made skills in cutting and electrode applications to be commenced in June 2018
	HK\$2.0 million	— research, development, collaboration and testing (including third party testing) of large scale projection advertising system
Full implementation of fully automated production line for Smart Light-adjusting Products production	HK\$6.0 million	— enter into production contract(s) for further acquisition of machinery from overseas and PRC suppliers (including automatic cutter, automatic scroller and sealing machine) for the full automation of production line for Smart Light-adjusting Products (expected by July 2018)
		— production, calibration, installation, trial-run testing and full implementation and use of automated production line (expected over the months from August 2018 to December 2018)

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Business strategy	Use of proceeds	Implementation plan
Installation of extra-wide production line for Smart Light-adjusting Products	HK\$3.0 million	— identify target machinery and equipment with consideration as to functionality, performance and configurations and devise plan for the acquisition, implementation and installation of machinery and equipment for the establishment of extra-wide production line for Smart Light-adjusting Products (expected in July 2018)
		— carrying out market research on supplier(s), identify suitable supplier(s), negotiate terms and conditions and enter into supply agreement (expected over the months of August 2018 and September 2018)
		— production, receipt, installation, trial-run testing and full implementation and use of production line (expected over the months of October 2018 to December 2018)
Installation of fully automated production line for pressing of glass	HK\$3.0 million	— identify target machinery (including automated cutter, combing and loading equipment) with consideration as to functionality, performance and configurations and devise and evaluate acquisition plan including quotation assessment and budget planning (expected over the months of July 2018 and August 2018)
		— carrying out market research on supplier(s), identify suitable supplier(s), cooperate with supplier(s) in research and development to confirm configuration of machinery and enter into cooperation agreement for development of production facilities and production of product samples (expected over the months of September 2018 to November 2018)
		— sample production using prototype machinery for pressing of glass (expected by December 2018)

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Business strategy	Use of proceeds	Implementation plan
Sales and marketing efforts in the PRC	HK\$0.5 million	— monthly promotions and marketing to increase our brand exposure through PRC based online trading platforms
	HK\$2.0 million	— attendance of various industry related exhibitions in the PRC (including exhibitions relating to construction materials and the China Import and Export Fair)
Total	HK\$23.0 million	

For the six months ending 30 June 2019

Business strategy	Use of proceeds	Implementation plan
Overseas business expansion	HK\$1.0 million	— conduct further research regarding market trends and customer preferences and collect market intelligence relating to target overseas markets
	HK\$1.0 million	— attend overseas exhibitions
Research and development of new materials and products	HK\$5.0 million	— continue research, development, collaboration and testing of graphene conductive film with target initial launch by June 2019
	HK\$6.0 million	— enter into production contract(s) for acquisition of machinery from supplier for full automation relating to pressing and processing of glass (expected over the months of January 2019 and February 2019)
Installation of fully automated production line for processing of glass	HK\$6.0 million	— production, calibration, installation, trial-run testing and full implementation and use of automated production line (expected over the months of March 2019 to June 2019)
		—

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Business strategy	Use of proceeds	Implementation plan
Sales and marketing efforts in the PRC	HK\$1.0 million	— monthly promotions and marketing to increase our brand exposure through PRC based online trading platforms
Working capital	HK\$2.0 million	— general working capital
Total	HK\$16.0 million	

For the six months ending 31 December 2019

Business strategy	Use of proceeds	Implementation plan
Overseas business expansion	HK\$0.8 million	— establishing and improving overseas agency and distribution network in European, United States and other overseas markets
		— provision of product samples, arrange physical visits and receptions
Research and development of new materials and products	HK\$5.0 million	— research, development and testing relating to the application of Smart Light-adjusting Products to screen door on subway platforms
	HK\$6.0 million	— commencement of batch sales of large-size laser advertising projection systems by February 2019
Sales and marketing efforts in the PRC	HK\$ 2.2 million	— marketing and advertisement for large-size laser projection systems
Total	HK\$14.0 million	

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REASONS FOR THE SHARE OFFER AND USE OF PROCEEDS

Reasons for the Share Offer

Our Directors believe that, as a market participant which is active in the technology sector, it is crucial for the business of our Group to devote substantial resources towards research and development (including identifying new materials and applications) which will advance or sustain its competitiveness in light of evolving market trends and customer preferences and needs. Further, our Directors believe that our Group's current market leading positions in the PRC by market share relating to its Smart Light-adjusting Products and downstream application (namely, the Smart Light-adjusting Projection System) is testimonial of sufficient market demand for its products and it is opportune time to capitalise and realise its potential in overseas markets. As such, our Group intends to extend its footprint to overseas markets as well as develop production lines which cater for expected demand for its products.

Our Directors believe that the net proceeds from the Share Offer (“**Net Proceeds**”) will provide us with additional capital to implement our future plans (please refer to the paragraph headed “Use of proceeds” below), which would be conducive to:

- (i) consolidating and/or strengthening our Group's market position in the industry;
- (ii) assist us in positioning ourselves as a leading enterprise in the PRC market; and
- (iii) raising our profile as well as increasing the accountability and transparency of our Group's operations, which our Directors believe will assist it in securing more customers especially in overseas markets in which the brand of our Group is relatively less known.

In addition, our Directors expect the Listing assist us to gain access to the capital market for the future growth of our Group.

Use of proceeds

We estimate that the aggregate Net Proceeds from the Share Offer (after deducting underwriting commission and other estimated expenses payable by us in connection with the Share Offer), based on Offer Price of HK\$1.0 per Offer Share, will be approximately HK\$93.5 million, assuming the Offer Size Adjustment Option is not exercised. We currently intend to apply the Net Proceeds in the following manner:

- (i) approximately 43.1% of the total estimated net proceeds, or approximately HK\$40.6 million, will be used for purchase of machinery and equipment, including for enhancement and automation projects as well as establish new production lines;
- (ii) approximately 28.8% of the total estimated net proceeds, or approximately HK\$27.1 million, will be used to research and development of new materials and products;

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- (iii) approximately 10.4% of the total estimated net proceeds, or approximately HK\$9.8 million, will be used for the purpose of overseas business expansion;
- (iv) approximately 9.3% of the total estimated net proceeds, or approximately HK\$8.7 million, will be used for sales and marketing purposes; and
- (v) approximately 8.4% of the total estimated net proceeds, or approximately HK\$7.3 million, will be used for general working capital and other general corporate purposes.

Set out below are details in relation to our Group's expected use of Net Proceeds from the Share Offer:

Net Proceeds for the acquisition of machinery and equipment

In respect of the HK\$40.6 million which will be used for the acquisition of machinery and equipment:

- (i) HK\$6.8 million will be used for the purchase of machinery and equipment for the production of anti-ambient screen;
- (ii) HK\$4.3 million will be used for the installation and enhancement of monitoring system and cooperation with overseas suppliers of sputtering machine to enhance the functionality, production efficiency and quality of our Group's wide ITO film;
- (iii) HK\$5.5 million will be used for the establishment of a production line for domestic home cinema systems using, *inter alia*, anti-ambient screen;
- (iv) HK\$3.0 million will be used for the establishment and installation of extra-wide production line for Smart Light-adjusting Products; and
- (v) HK\$21.0 million will be used for the acquisition, installation of machinery and equipment for the full automation of our Group's production lines relating to Smart Light-adjusting Film and Smart Light-adjusting Products and for the pressing and processing of glass.

Our Directors believe that the acquisition of machinery and equipment using the Net Proceeds raised will, *inter alia*:

- (i) lower the cost of labour and improve work safety over the production process;
- (ii) increase production efficiency at "bottleneck processes" (i.e. point of congestion where the workloads arrive at a faster rate than the production process can handle) in upstream production process through automation, which would assist in increasing the utilisation rate of machinery and equipment in downstream production processes; and

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- (iii) assist in raising the consistency and quality of products as well as facilitate the development of new products and markets of our Group. In particular, our Directors believe, as confirmed by the F&S Report, that it is important to innovate and provide display products with better quality, higher performance and more cost efficiency given the general improvement in people's standard of living and growing need for better marketing communication tools. As such, it is expected that there will be demand for such products as domestic home cinema systems and extra-wide Smart Light-adjusting Products with anti-ambient properties (capable of generating high quality visual images, large-screen effects while eliminating influence of ambient environments) for serving both the domestic and outdoor advertising purposes.

We set out below further details in relation to the proposed acquisition of machinery and equipment:

1. Purchase of machinery and equipment for the production of anti-ambient screen (proposed expenditure in the second half of 2017)

The Smart Light-adjusting Projection System which our Company produced in the past has been a rear projection system, where a projector is placed behind the display glass. Our Directors believe that the Smart Light-adjusting Projection System will be more suitable and acceptable to the public for the purpose of indoor display if it is a front projection system, where a projector is placed in front of the display medium for the purpose of space saving.

Our Directors believe that using an anti-ambient screen as part of the front projection system will enhance display quality as it eliminates disturbances caused by, and limits the influence of, light sources from ambient environments on projection of images to the screen (i.e. it removes the necessity to switch off or dim other light sources when the projection system is used) while enabling the display of high quality visual images. The application of anti-ambient screen to Smart Light-adjusting Projection System will help create a cinema-like atmosphere in household environments which would enrich user experience and increase the appeal of the product from potential customers.

According to Frost & Sullivan, anti-ambient screens are being used in an increasing number of applications such as domestic home cinema systems and other fields for display purposes, and the market size of anti-ambient screen by revenue reached approximately RMB10.2 million in 2015 (from approximately RMB5.2 million in 2010, representing growth at a CAGR of approximately 14.4%) and is expected to amount to approximately RMB30.0 million by 2020, representing growth at a CAGR of approximately 24.1%). In addition, domestic home cinema systems equipped with anti-ambient screen is gaining rising popularity among customers in China and the market size by revenue reached approximately RMB7.2 million in 2015 (from approximately RMB3.4 million in 2010, representing growth at a CAGR of approximately 16.2%) and is expected to amount to approximately RMB25.0 million in 2020, representing growth at a CAGR of approximately 28.3%. Further, the expected prevailing "smart home" living style will bring about a rise in the demand for the Smart Light-adjusting Projection System.

In light of the expected increase in demand for Smart Light-adjusting Projection Systems equipped with anti-ambient screens, our Directors intend to establish a production line for manufacturing anti-ambient screens for assembly into front projection Smart Light-adjusting Projection Systems.

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It is expected that approximately HK\$6.8 million from the Net Proceeds will be used for the acquisition of film laminating machine, slitting machine, laser cutter and numerically controlled multi-axle machine for the production of anti-ambient screens. Our Directors expect that the full installation and trial-run testing of the production line for anti-ambient screen will be completed by December 2017 for commencement of production by January 2018.

2. *Installation and enhancement of monitoring system and cooperation with overseas suppliers of sputtering machine to enhance the functionality, production efficiency and quality of our Group's ITO film (proposed expenditure in the second half of 2017)*

ITO film is a particular important upstream product which our Group uses for the production of downstream products. Our Directors believe that it is important to improve the production efficiency of the ITO film production process because, as disclosed in the prospectus, there has been a steady decline in production cost and consequential downward pressure on the price of ITO film. As described in the F&S Report, such declines are mainly due to increasing capacity of suppliers for mass production as well as efficiency driven by technological advances. In order for our Group to remain competitive in the ITO film market as well as to meet expected growth in demand for downstream products of our Group, our Directors believe that it is necessary to enhance our Group's ITO film production efficiency and process while ensuring product quality. In this regard, it is proposed that:

- (i) approximately HK\$1.3 million will be used for the enhancement of the cooling system for the ITO sputtering machine which will increase the efficiency in the sputtering of ITO film;
- (ii) approximately HK\$1.6 million will be used for the enhancement of the off-track avoidance device for the ITO sputtering machine for reducing wastage of raw materials;
- (iii) approximately HK\$800,000 will be used for the installation of an online monitoring system for the ITO sputtering machine which will assist in discovering any defective sputtering at the early stage of production which target to reduce wastage of raw materials by 50%; and
- (iv) approximately HK\$600,000 will be used for the installation of a static electricity removing device for the ITO sputtering machine to prevent stain and scratch on the surface of raw materials.

Our Directors expect that the full installation and trial-run testing of the enhanced ITO sputtering machine will be completed by November 2017 for commencement of use by December 2017. While the installation and enhancement of monitoring system and the enhancement of the sputtering machine described above will improve the efficiency (in respect of reduction of wastage of raw materials) of the production process and the quality ITO film produced, the designed production capacity of the ITO film production lines (currently consisting of a 1,300mm roll-to-roll ITO sputtering machine and a 2,100mm roll-to-roll ITO sputtering machine) will remain unchanged. For details of the designed production capacity, please refer to the "Business – Our production facilities and processes – Production process and facilities relating to the manufacturing of ITO film" section of this prospectus.

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3. *Establishment of production line for domestic home cinema systems (proposed expenditure in the first half of 2018)*

Our Directors believe that there will be an increase in demand for domestic home cinema systems (one of the products in the Smart Light-adjusting Projection System business segment of our Group) in the PRC. As described in the F&S Report, growth in the sales of such products is expected to accelerate in the PRC in the near future driven by, among other things, support from the Chinese government for the development of eco-friendly “smart” products and the increasing demands for home entertainment experiences as the disposal income of PRC households continue to rise.

To capitalise on increasing demand for domestic home cinema systems, our Group intends to continue enhancing the product as well as set up a production line for mass production. It is expected that approximately HK\$1 million from the Net Proceeds will be used for setting up two automated assembly lines, approximately HK\$2 million from the Net Proceed will be used for acquisition of optical and integrated inspection devices for quality control purposes, and a total of HK\$2.5 million from the Net Proceeds will be used to satisfy the production requirement of home cinema system.

Our Directors expect that the full installation and trial-run testing of the production line for mass production of domestic home cinema system will be completed by June 2018 for commencement of production by July 2018.

4. *Establishment and installation of extra-wide production line for Smart Light-adjusting Products (proposed expenditure in the second half of 2018)*

Our Directors believe that there will be an increase in demand for Smart Light-adjusting Products and related downstream products in the PRC, especially in the “out-of-the-home” advertising market in the PRC (such as for the use in public transport products and commercial buildings) as such products are capable of presenting large-screen effect while ensuring high-definition visual performance. According to the F&S Report, the market size of extra-wide Smart Light-adjusting Products industry by revenue in China reached approximately RMB13.1 million in 2015 (from approximately RMB8.0 million in 2010, representing growth at a CAGR of approximately 10.4%) and is expected to reach approximately RMB30.3 million by 2020, representing growth at a CAGR of approximately 18.3%.

Our Group has already received orders for the supply and installation of 200 Smart Light-adjusting Projection Systems for metro stations as well as commercial advertisement displays in the PRC during the six months ended 31 December 2016, and is expecting further orders to be received in light of (i) the market trend described above; and (ii) the proposed use of anti-ambient screens in Smart Light-adjusting Projection Systems which reduces the influence of strong light in ambient environments and enhances user experience.

To cater for the expected demand of such products, which would require the application of extra-wide Smart Light-adjusting Products, our Company intends to establish and install an extra-wide production line in the second half of 2018. It is expected that the cost of such production line will be approximately HK\$3 million.

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Our Directors expect that the full installation and trial-run testing of the extra-wide production line for Smart Light-adjusting Products will be completed for commencement of production by December 2018.

5. *Acquisition and installation of machinery and equipment for the full automation of production lines relating to Smart Light-adjusting Film and Products and for the pressing and processing of glass (expenditure over the period from first half of 2018 to first half of 2019)*

Our Directors intend to invest approximately HK\$21 million of Net Proceeds in the acquisition and installation of machinery and equipment for the full automation of production lines relating to Smart Light-adjusting Film and Products as well as pressing and processing of glass.

While the relatively low utilisation of machinery and equipment in the downstream production lines over the Track Record Period was not due to “bottleneck processes” (i.e. point of congestion where workloads arrive at a faster rate than the production process can handle), such “bottleneck processes” could occur in certain processes (including the process of turning roll-shaped films into plain surface films involving trimming, edge sealing, electrode nailing in the production of Smart Light-adjusting Film and the process of cutting, cleaning, pressing and laminating glass in the production of Smart Light-adjusting Glass) if there were high demand for downstream products but for (a) an increase in labour headcount, or (b) the automation of the relevant processes. Our Directors believe that the automation of the relevant processes (in lieu increasing labour headcount) is beneficial to our Group for the following reasons:

- (i) automation of production processes will assist in decreasing the production costs of Smart Light-adjusting Products. In particular, labour costs for Smart Light-adjusting Film (constituting labour cost of approximately RMB50-60 per sq.m. of film produced) attributed to approximately 5% to 6% of our Group’s cost of goods sold (excluding manufacturing overheads including depreciation of property, plant and equipment) over the Track Record Period and labour costs for producing Smart Light-adjusting Glass (constituting labour cost of approximately RMB120-150 per sq.m. of glass produced) attributed to approximately 4% to 11% of our Group’s cost of goods sold (excluding manufacturing overheads including depreciation of property, plant and equipment). Our Directors believe that through automation, we would be able to materially reduce the number of manual workers required to achieve our target output capacity in our downstream products, and as a result, the average labour cost of producing Smart Light-adjusting Film and Smart Light-adjusting Glass may be reduced to RMB20 per sq.m. and RMB50 per sq.m. respectively despite the continuous upward trend of labour cost in the PRC given government policies to increase workers’ protection;
- (ii) automation will assist to limit the effect of rising worker turnover rate (especially after the Lunar New Year). Worker turnover is problematic for our Group as (a) the recruitment processes for new workers is often lengthy and requires the incurrence of additional time and costs (involving the engagement of recruitment agencies from time to time); (b) the average production costs would be increased due to the need to train newly recruited workers; (c) the issue of “bottleneck processes” would persist over the period before new workers could be engaged and production efficiency may be further affected before they are fully trained;

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- (iii) automation of production lines will assist in reducing incidents of product defects which result mainly from manual labour (such as scratch and stain on the surface of film and the presence of dust which results in breaking of film). Our Directors believe that the yield (良品率) of Smart Light-adjusting Film and Smart Light-adjusting Glass may be improved to 95% from currently 85% and 80% respectively. Such improvement will reduce wastage and cost associated with additional processing of defective products as well as reduce the incidence of product returns;
- (iv) automation of production lines would improve work safety for our Group's workers, especially those involved in manual movement of large pieces of glass along the production line who are exposed to risk of injury from processing glass. Injuries to workers may increase the insurance cost to our Group and lead to incurrence of liability for compensation to workers pursuant to applicable PRC labour laws; and
- (v) automation of the production line will be conducive in speeding up the production efficiency at "bottleneck processes" and will assist in increasing the overall utilisation rate of production capacity in respect of downstream products. This will assist in fulfilling customer orders for downstream products in light of expected increase in demand for our Group's downstream products.

Our Directors believe that, for the above reasons, the proposed automation of the production lines will facilitate our Group in meeting increasing market demand for downstream products, reduce overall production costs, increase overall production efficiency as well as provide workers with a safe working environment.

Our Directors expect that:

- (i) the full installation and trial-run testing of automated production line for Smart Light-adjusting Products are expected to be completed, and automated production line is expected to be operational, by December 2018; and
- (ii) the full installation and trial-run testing of automated production line for pressing and processing of glass shall be completed for full implementation by June 2019.

Net Proceeds for research and development

Our Directors believe that it is important for our Group to continually innovate and improve the products of our Group, especially as our Group competes in the advanced technology sector where customers have evolving needs and increasing demands. As such, our Directors believe that continued research and development is necessary in order to remain competitive (in terms of, among other things, quality, variety and functionality) with other market players who are devoting resources to develop existing and/or new alternative products.

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Further, our Directors will also look towards research and development in products to satisfy specific needs of potential clients. For example, with increasing awareness of the importance of privacy protection and security globally, it is expected that the application of innovative safe Smart Light-adjusting Products such as bullet-proof reinforced Smart Light-adjusting Glass will become more prevalent. As such, our Group will spend on research and development of bulletproof Smart Light-adjusting Film/Glass to satisfy perceived market demand.

The following table summarises the research projects which our Group intends to use approximately HK\$27.1 million from the Net Proceeds for:

From the Latest Practicable Date to 31 December 2017

Research item	Purpose	Features and application	Expected timetable	Proposed investment (HK\$ '000)	Potential market demand
Increase light permeability and reduce reflection rate of Smart Light-adjusting Film	Increase market share by improving product quality	Enable product to reach 80% light permeability and be less light reflective; mainly cater for the use in commercial building including hotels and banks offices	Project expected to be commenced in July 2017 and product expected to be launched in December 2017	800	Please refer to the section headed "Industry overview — Overview of the Smart Light-adjusting Products industry in China" for information on the potential market demand for replacing traditional curtains and concrete walls with Smart Light-adjusting Products in commercial buildings.
Smart light-adjusting switch	Expanding presence in overseas market	Switch which is safer and insulates passage of electricity voltage to user; mainly cater for Smart Light-adjusting Products	Project expected to be commenced in July 2017 and product expected to be launched in December 2017	500	Power switches for Smart Light-adjusting Products make use of an electronic transformer (which controls the passing of power and voltage through Smart Light-adjusting Products) which enhances a user's experience as it allows the user to exert more control over the products ability to switch between opaque to transparent states. It also (i) acts as a circuit breaker to protect Smart Light-adjusting Products from surges in power voltage; and (ii) makes the installation of Smart Light-adjusting Products more convenient and efficient. It is expected that with the popularization of smart home and increasing demand for Smart Light-adjusting Products in the field of outdoor advertising and the hotel industry, the demand for new power switch for Smart Light-adjusting Products will experience rapid growth.

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For the six months ending 30 June 2018

Research item	Purpose	Features and application	Expected timetable	Proposed investment (HK\$ '000)	Potential market demand
Bulletproof Smart Light-adjusting Film/Glass	Satisfying demand from overseas customers with focus in American and European markets	Bulletproof products will meet the GA-165 standard required by the Ministry of Public Security of the PRC	Project expected to be commenced in January 2018 and product expected to be launched in June 2018	1,000	Along with increasing awareness of the importance of privacy and security globally, especially in Europe and the US (especially following the frequent occurrence of terrorist attacks over the past years), it is expected the application of bullet-proof reinforced Smart Light-adjusting Glass will become more prevalent in museums, financial institutions as well as for use in jewellery displays. According to the F&S Report, the market size of bullet-proof reinforced Smart Light-adjusting Products in China reached RMB6.8 million in 2015 and is expected to amount to RMB13.4 million by 2020, representing expected growth at a CAGR of 14.5% over the period from 2015 to 2020. The benefit of bullet-proof reinforced Smart Light-adjusting Product is that it allows customers to view the displayed items while safeguarding its safety and security.
Commercial laser projection system	Expanding the presence in the commercial display market	Product to be applied to shop windows, screen doors of subway and multi-media curtain wall	Project expected to be commenced in June 2018 and product expected to be launched in December 2018	2,800	Please refer to the section headed “Industry overview — Overview of the Smart Light-adjusting Products industry in China” of this prospectus for information on the potential market demand for Smart Light-adjusting Projection Systems.

FUTURE PLANS AND USE OF PROCEEDS

For the six months ending 31 December 2018

Research item	Purpose	Features and application	Expected timetable	Proposed investment (HK\$ '000)	Potential market demand
Graphene-made Smart Light-adjusting Film	Increasing market share by improving product quality	Product with increased electricity conductivity and light permeability and can be regarded as an upgraded version of Smart Light-adjusting Film	Project expected to be commenced in June 2018 and preliminary experiment expected to be completed by December 2018	2,000	With the development of technology, there is an increasing demand for cost-efficient and high-performance Smart Light-adjusting Products; as such, it is expected that there would be significant growth in demand for graphene-made Smart Light-adjusting Film in the high-end market as (i) the use of graphene could materially improve the light transmittance and electricity conductivity of the film; and (ii) the equipment investment and production cost using the coating method is lower than traditional non-coating production methods.
Tailor-made Smart Light-adjusting Products	Expanding presence in the American and European markets	Develop tailor-made skills in cutting and electrode applications	Project expected to be commenced in June 2018 and product expected to be launched by April 2019	2,000	Tailor-made Smart Light adjusting Products are designed to allow: (i) households to test and install the product conveniently with a simplified installation process; and (ii) users to control the use of product through use of mobile applications using smart phones. It is expected that demand for tailor-made Smart Light-adjusting Products will grow steadily, especially in markets in Europe and the United States.

FUTURE PLANS AND USE OF PROCEEDS

Research item	Purpose	Features and application	Expected timetable	Proposed investment (HK\$ '000)	Potential market demand
Large scale projection advertising display system	To become a pioneer in the large-scale laser advertising display market	Products which enable remote control and remote monitoring of displays, amendment of content, and can be applied to multi-media curtain wall for advertising purposes	Project expected to be commenced in June 2018 and preliminary experiment expected to be finished in January 2019	2,000	It is expected that the demand for innovative and high-performance laser projection advertising systems will be supported by rapid development in the outdoor advertising industry. With enhanced features (such as remote control and metro compatible control and dispatch systems (for use in subway stations)) and functionalities (such as content editing, playback controls and other features), it is expected the new generation laser projection advertising systems using Smart Light-adjusting Products will be well received by the market, leading to strong demand, as they are well equipped to assist advertisers to achieve more efficient advertisement placement and operations. Further, large-size laser projection advertising systems could be applied to large advertising platforms (such as multi-media advertising walls) to achieve effective mass-marketing.

For the six months ending 30 June 2019

Research item	Purpose	Features and application	Expected timetable	Proposed investment (HK\$ '000)	Potential market demand
Advanced graphene-made Smart Light-adjusting Film	Reaching 30% market share in the Smart Light-adjusting Products market	Product with increased electricity conductivity and light permeability to 85%, and can be regarded as a further upgraded version of Smart Light-adjusting Film	Project expected to be commenced in March 2019 and product expected to be launched by June 2019	5,000	Please refer to paragraph above on the potential market demand for graphene-made Smart Light-adjusting Film.

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For the six months ending 31 December 2019

Research item	Purpose	Features and application	Expected timetable	Proposed investment (HK\$ '000)	Potential market demand
Application of Smart Light-adjusting Projection Systems to screen doors in subway stations	Entering into the market for application of Smart Light-adjusting Projection Systems to subway screen doors	Product to be applied to screen doors at subway for advertising and visual experience of commute and users of public subway systems	Project expected to be commenced in May 2019 and product expected to be launched by December 2019	5,000	Please refer to the section headed “Industry overview — Overview of the Smart Light-adjusting Products industry in China” of this prospectus for information on the potential market demand for Smart Light-adjusting Projection Systems.
Large-size laser advertising projection systems	Commencement of batch sales of the products	Remote control application, multi-device control and front-end control	Project expected to be commenced in February 2019 and product expected to be launched by December 2019	6,000	Please refer to paragraph above on the potential market demand for large-size laser projection advertising systems.
Total				<u>27,100</u>	

Status of development of new materials and products

Our Group has continued to carry out research, development and testing of films with the aim to enhance the properties of its products. In particular, our Group has been successful in producing samples of a type of low voltage film which has superior properties (including lower haze rate, higher transmission rate, greater adhesiveness to glass (which may reduce incidents of product defect) and longer lifespan). Our Group has applied to the trademark authority of the PRC in respect of the production process of such enhanced film.

Our Group will continue to carry out research, development and testing work to enhance its products including, without limitation, efforts to bring anti-reflective film to mass production and to develop safer switches that insulate passage of electricity voltage for Smart Light-adjusting Products by the second half of 2017.

Net Proceeds for overseas business expansion

Our Directors have commenced efforts to expand the overseas business of our Group since 2015 as the business of our Group has continued to mature and prosper, and has promoted its business through such platforms as www.1688.com and www.globalsource.com where it has witnessed an increase in demand for its products.

FUTURE PLANS AND USE OF PROCEEDS

Overseas sales and strategic alliances

Our Group has established relationship with customers from Australia, Dubai, France, Germany, Israel, India, Indonesia, Japan, Peru, Singapore, Spain, Taiwan, Thailand, UAE, the United Kingdom and the United States. These customers include new material products, construction companies, contractors of developers as well as design, decoration and renovation companies.

As at the Latest Practicable Date, we have:

- (a) entered into purchase orders and contracts with some of these overseas customers for the supply of Smart Light-adjusting Products to them; the amount of trade orders received from these customers amounted to approximately RMB490,000 and RMB1,081,000 for the financial years ended 31 December 2015 and 31 December 2016 respectively;
- (b) provided price quotation and specifications of products and where appropriate, entered into cooperation and/or supply contracts, for the proposed supply of products with certain of these overseas customers in the future; and
- (c) commenced negotiation with overseas customers in relation to the supply of Smart Light-adjusting Products and Smart Light-adjusting Projection Systems for various residential housing, hotel and resorts as well as large-scale plaza projects.

To further its overseas expansion plans, our Group has also commenced negotiations and has entered into memorandums of understanding (“MoUs”) with enterprises in such jurisdictions as India, UAE and Israel to establish strategic alliance for the sales of our Group’s products and enter into technical collaboration to assist them in establishing a manufacturing base for processing Smart Light-adjusting Products. The table below sets out details of such strategic alliance for reference:

Jurisdiction	Date of MoU	Typical key terms of collaboration
India	14 August 2015	<ul style="list-style-type: none"> • phased-wise strategic alliance commencing with supply and sale of Smart Light-adjusting Films by strategic partner in the local jurisdiction and subsequently entering into technical collaboration for the purpose of assisting the partner in establishing manufacturing base(s) in the local jurisdiction
UAE	8 January 2017	<ul style="list-style-type: none"> • technological and commercial feasibility studies to be conducted by the strategic partner in the local jurisdiction at its own expense • our Group shall authorise the strategic partner to use certain intellectual properties of our Group in the local jurisdiction for marketing and technical collaboration purposes

FUTURE PLANS AND USE OF PROCEEDS

Jurisdiction	Date of MoU	Typical key terms of collaboration
Israel	6 February 2017	<ul style="list-style-type: none"> • our Group shall provide technical support with training to staff as well as technical know-how and support to strategic partner to assist its setting up of manufacturing plant in the local jurisdiction for product manufacturing

Through such strategic alliance, our Group intends to assist the relevant overseas enterprises to establish a manufacturing base in the local jurisdiction such that they may undertake certain downstream processing and assembly processes (such as glass assembling) locally, and which will in turn, assist in our strategy in increasing our sales and supply of upstream Smart Light-adjusting Products to them. To date, these strategic partners have yet to commence production of any Smart Light-adjusting Products and may place orders from our Group from time to time. As at the Latest Practicable Date, total amount of sales to these strategic partners amounted to approximately RMB484,187.8 (or approximately HK\$553,851.2).

While a strategic partner may seek assistance and technology support (such as glass assembling techniques) from our Group as part of the technical collaboration for the purpose of their establishment of processing manufacturing base(s) in the local jurisdiction, no sensitive intellectual property or proprietary know-how would be transferred in such collaboration. Accordingly, no licensing arrangements are expected to be involved.

Our Company is of the view (and its legal advisers agrees) that such activities are within its ordinary and general commercial course of business not subject to any particular overseas laws and regulations, licensing requirements and/or entry barriers in overseas markets.

Our Group has not conducted any business activities or operations in the territories of the overseas jurisdictions except attending industry conventions and exhibitions, meeting with potential customers or liaison with overseas business counterparts within the ambit of permitted activities of visitors to those overseas jurisdictions (as published on the websites of the immigration or similar departments of the governments of those overseas jurisdictions).

Further, our Group has commenced sales to certain overseas customers since 2015 (in jurisdictions including the United States, India, Spain, Thailand, Indonesia, France, Japan, Peru, Taiwan, Israel, Singapore and UAE). As advised by the senior management of our Group, our Group has not experienced any particular regulatory hurdles for the sales and marketing of our Group's products into these major markets and jurisdictions up to the date of this submission and the relevant countries have been receptive to importing high-tech and energy-efficient products such as those produced by our Group. Further, our Directors believe that our Group is generally not exposed to any material regulatory or other risks (other than those it is generally exposed to in its ordinary course of business in the PRC) for sales of products to the relevant overseas customers as the terms of shipping to these customers were either:

FUTURE PLANS AND USE OF PROCEEDS

- (i) Free on Board (FOB) Zhuhai, which means that our Group would be responsible for clearing the products for export and delivering the products to the shipping port of Zhuhai only, and therefrom the overseas customer will be responsible for all costs (including freight transport and insurance) and risks to the products; or
- (ii) Ex Works (EXW), which means that title and risk to the products pass to the overseas customer at the premise of our Group and the overseas customer will be responsible for all costs (including freight transport and insurance) and risks to the product collected from our Group's premises.

Our Company does not expect to incur material expenditures in respect of the collaboration described above in respect of the MoUs, and such expenditures are expected to be funded by internal resources of our Company.

Competitive advantage in supplying to overseas market

According to the F&S Report:

- (i) the current average price of PRC-made Smart Light-adjusting Products are USD200 per sq.m. compared to average price of overseas-made Smart Light-adjusting Products of USD250 to 400 per sq.m. (i.e. from 25% to 100% premium of the selling price of products manufactured in the PRC); and
- (ii) the size of the overseas Smart Light-adjusting Products market amounted to approximately USD675 million in 2015 with approximately 65% concentration of supply in European and American markets.

As such, our Directors believe that our Group will be able to compete effectively in terms of pricing and to capitalise on the increasing growth of the market which is currently dominated by European and American market players.

FUTURE PLANS AND USE OF PROCEEDS

Overseas sales and marketing activities

Our Directors intend to leverage of our current market position as a leading producer of Smart Light-adjusting Products and Smart Light-adjusting Projection Systems in the PRC in terms of market share and gradually increase our presence in various overseas markets. To this end, we intend to increase our sales and marketing efforts in target markets through participating in industry conventions and exhibitions, meeting with potential customers, marketing our productions through various online promotional platforms, and expanding our overseas network through cooperation with overseas agencies. Such overseas sales and marketing activities (which are within its ordinary course of business) would not involve any of our Group’s employees or representatives to be based in overseas jurisdictions or which would otherwise involve in the carrying out of activities which are regulated and/or restricted in relevant jurisdictions. The following is a summary of our Group’s planned overseas business activities for the period up to 31 December 2019:

	For the year ending 31 December 2017	For the six months ending 30 June 2018	For the six months ending 31 December 2018	For the six months ending 30 June 2019	For the six months ending 31 December 2019
Markets		Japan, Middle East, Southeast Asia	South America, United States	Major overseas market	United States and Europe
Method	Research regarding market trends and customer preferences and develop relationships with corporate entities (including focal distributors, suppliers, retailers and agencies) in target overseas market	Participation in industry conventions and exhibitions to be held in Dubai and Japan; visiting customers in Southeast Asia	Participation in industry conventions and exhibitions to be held in Brazil, the United States	Participation in industry conventions and exhibitions to be held in other major overseas areas	Establishing and improving distribution and sales network in European, United States and other overseas markets; provision of product samples, arrange physical visits and receptions
Online promotional platforms	1688.com globalsource.com	1688.com globalsource.com	1688.com globalsource.com	1688.com globalsource.com	1688.com globalsource.com

The material terms of supply to overseas customers are expected to be substantially similar to those set out in the section headed “Business — Sales and Distribution Channels — Direct sales” in this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

BASES AND KEY ASSUMPTIONS

We have adopted the following principal assumptions in the preparation of the future plans up to 31 December 2019:

General assumptions:

- there will be no material adverse change in the existing political, legal, fiscal, market or economic conditions in Hong Kong; and
- there will be no material change in the bases or rates of taxation and duties in the PRC.

Specific assumptions:

- we will have sufficient financial resources to meet the planned capital and business development requirements during the period to which the business objective relates;
- the Share Offer will be completed in accordance with and as described in the section headed “Structure and conditions of the Share Offer” in this prospectus;
- our Directors and key senior management will continue to be involved in the development of our existing and future development and we will be able to retain our key management personnel;
- we will be able to recruit additional key management personnel and staff when required;
- we will be able to maintain our customers and sustain demand for our products;
- there will be no change in the funding requirement for each of the business strategies described in this prospectus from the amount as estimated by our Directors;
- there will be no material changes in existing laws and regulations, or other governmental policies relating to our Group, or in the political, economic or market conditions in which our Group operates;
- there will be no material changes in the bases or rates of taxation applicable to the activities of our Group;
- there will be no disasters, natural, political or otherwise, which would materially disrupt the businesses or operations of our Group;

FUTURE PLANS AND USE OF PROCEEDS

- we will not be materially and adversely affected by the risk factors as set out in the section headed “Risk factors” in this prospectus; and
- we will be able to continue our operations in substantially the same manner as we have been operating during the Track Record Period and we will also be able to carry out our implementation plans without disruptions.

OFFER SHARES ARE FULLY UNDERWRITTEN

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