FUTURE PLANS

See "Business — Our Strategies" for a detailed description of our future plans.

USE OF [REDACTED]

Assuming an [REDACTED] of HK$[REDACTED] per Share (being the mid-point of the [REDACTED] range stated in this document), we estimate that we will receive net [REDACTED] of approximately HK$[REDACTED] million (equivalent to approximately RMB[REDACTED] million) from the [REDACTED] after deducting the estimated [REDACTED] commission and other expenses paid and payable by us in connection with the [REDACTED] and assuming that the [REDACTED] and the [REDACTED] are not exercised.

In line with our strategies, we intend to use our [REDACTED] from the [REDACTED] for the purposes and in the amounts set forth below:

- Approximately [REDACTED]% of the net [REDACTED], or approximately HK$[REDACTED] million, will be used for the next-generation ultra-high-speed optical module R&D center and high-speed optical module production base. For the new R&D center and production base, we plan to procure R&D instruments and production equipment and construct a manufacturing facility. We aim to expand our production capacity, tackle advanced packaging processes such as high coupling efficiency, high yield and high-efficiency silicon photonic automatic coupling, develop intelligent silicon photonic modules for supercomputing applications, and establish China's first production-ready 300mm silicon photonics wafer tape-out platform. As a result, we expect to expand the industrialized production of 800G and 1.6T high-speed silicon photonic modules.

- Approximately [REDACTED]% of the net [REDACTED], or approximately HK$[REDACTED] million, will be allocated to the R&D and industrialization of MEMS sensors. We aim to conduct R&D and industrialization of new types of MEMS sensors including temperature, pressure, gas, humidity, accelerometers and gyroscopes. We plan to invest in the construction of R&D center, experimental platform, pilot production platform and manufacturing production lines. As a result, we aim to achieve an annual production capacity of 30 million MEMS sensors.

- Approximately [REDACTED]% of the net [REDACTED], or approximately HK$[REDACTED] million, will be used for the R&D and industrialization of high-precision additive manufacturing equipment and production lines. We will tackle core technologies including high-performance composite lasers, in-situ real-time molten pool monitoring system, and intelligent additive manufacturing production lines, and build 20 automated production lines capable of long-term, continuous, unmanned and stable operation. Upon full production, we expect to achieve an annual production capacity of over 40 million pieces.

- Approximately [REDACTED]% of the net [REDACTED], or approximately HK$[REDACTED] million, will be allocated to the intelligent agricultural machinery including the production of intelligent laser weeding robots. Integrating our three core technologies including laser, AI and robotics, we aim to meet the demands of modern agriculture.

- Approximately [REDACTED]% of the net [REDACTED], or approximately HK$[REDACTED] million, will be used for R&D projects of our HG Technology Central Research Institute. Focusing on core tracks including information optoelectronics, energy optoelectronics, industrial software and AI, we plan to procure R&D instruments and equipment and build a R&D team of 300 members, in order to establish a group of experimental platforms covering chip design, equipment development and system integration. These efforts are aimed at maintaining our technological advantages and consolidating our market leading position.

- Approximately [REDACTED]% of the net [REDACTED], or approximately HK$[REDACTED] million, will be used to repay our bank borrowings. Specifically, (i) approximately [REDACTED]% of the net [REDACTED], representing HK$[REDACTED] million, is expected to be used to repay a bank loan with a principal amount of RMB200.0 million granted by the Export-Import Bank of China. The interest rate of the loan is the one-year Loan Prime Rate minus 0.89%. The loan is due on February 28, 2027 and was primarily used for general working capital purposes; and (ii) approximately [REDACTED]% of the net [REDACTED], or HK[REDACTED] million, is expected to be used to repay a bank loan with the principal amount of RMB400.0 million from China Construction Bank. The interest rate of the loan is the Loan Prime Rate minus 0.76%. The loan is due on June 27, 2027 and was primarily used for general working capital purposes.

- Approximately [REDACTED]% of the net [REDACTED], or approximately HK$[REDACTED] million, will be used for working capital and general corporate purposes.

If the [REDACTED] is set at HK$[REDACTED] per Share, being the high end of the indicative [REDACTED] range, the net [REDACTED] from the [REDACTED] will increase to approximately HK$[REDACTED] million. If the [REDACTED] is set at HK$[REDACTED] per Share, being the low end of the indicative [REDACTED] range, the net [REDACTED] from the [REDACTED] will decrease to approximately HK$[REDACTED] million. The above allocation of the net [REDACTED] from the [REDACTED] will be adjusted on a pro rata basis in the event that the [REDACTED] is fixed at a higher or lower level compared to the midpoint of the indicative [REDACTED] range stated in this document. Any additional net [REDACTED] received from the exercise of the [REDACTED] and the [REDACTED] will also be allocated to the above purposes on a pro-rata basis.

We do not expect to rely on the net [REDACTED] of the [REDACTED] to carry on our ordinary business operations. While the net [REDACTED] from the [REDACTED] are expected to cover the majority of the capital expenditure associated with our above mentioned expansion plans, to the extent that the net [REDACTED] of the [REDACTED] are not sufficient to fund our development plan, we intend to fund the shortfall through a variety of means, including [REDACTED] from cash generated from operation.

If any part of our development plan does not proceed as planned for reasons such as changes in government policies that would render the development of any of our projects not viable, or the occurrence of force majeure events, we will carefully evaluate the situation and may reallocate the net [REDACTED] from the [REDACTED].

To the extent that the net [REDACTED] of the [REDACTED] are not immediately used for the above purposes or if we are unable to put into effect any part of our future development plan as intended, and to the extent permitted by the relevant laws and regulations, we may deposit such net [REDACTED] into short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the Securities and Futures Ordinance or the applicable laws and regulations in other jurisdictions) so long as it is deemed to be in the best interests of the Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.