
SUMMARY

This summary aims to give you an overview of the information contained in this document. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be in conjunction with, the full text of this document. You should read the entire document before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in “Risk Factors” in this document. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a provider of intelligent vision products and system solutions encompassing intelligent automotive vision, high-end lighting and advanced display. Leveraging industry insights and proactive approaches to technological innovation, we house a broad array of “LED+” technologies that integrate LED technologies with integrated circuits (ICs), electronic control, software, sensors, optics and others. Our energy-efficient and rapidly evolving “LED+” technologies further empower our intelligent vision products and systems, enabling us to penetrate high-value, high-growth markets. According to CIC, in terms of revenue, we ranked third among domestic device and module manufacturers in China’s high-end lighting industry and fifth among all device and module manufacturers in the same industry, with a market share of 5.3% in 2023. We ranked fifth among domestic manufacturers in China’s mid- to high-end intelligent automotive vision industry and twelfth among all manufacturers in the same industry, with a market share of 0.5% in 2023. We ranked fourth among both domestic and all manufacturers in China’s LCD TV backlight display industry, with a market share of 9.1% in 2023. As of the Latest Practicable Date, we passed all product verifications and audit procedures on our manufacturing facilities, conducted by the majority of the top-tier domestic and international companies in intelligent automotive vision, high-end lighting and advanced display businesses. In 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, our revenue amounted to RMB1,388.4 million, RMB1,410.6 million, RMB1,858.0 million, RMB624.6 million and RMB843.2 million, respectively; our gross profit amounted to RMB228.3 million, RMB235.2 million, RMB339.0 million, RMB104.3 million and RMB154.2 million, respectively; our net profit amounted to RMB78.0 million, RMB39.1 million, RMB72.0 million, RMB7.6 million and RMB32.2 million, respectively.

The LED intelligent vision industry can be categorized into three areas based on application: intelligent automotive vision, high-end lighting and advanced display. In 2023, the industry had a substantial global market size of USD192.0 billion in terms of revenue. Within this, the market size of China’s LED intelligent vision market amounted to RMB440.2 billion, with intelligent automotive vision, high-end lighting and advanced display accounting for 20.2%, 33.2% and 46.6% of the market, respectively, in terms of revenue for their respective end products. China

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stands out as the world's largest and most comprehensive hub for automobile manufacturing, lighting and LCD TV industries. After an extended development phase, the LED intelligent vision industry in China is consolidating rapidly. The emergence of "LED+" technologies, which integrate LED technologies with ICs, electronic control, software, sensors, optics and others, are rapidly changing the landscape of the high-end LED intelligent vision industry. Such technological revolutions are now the key drivers for advancements in high-end LED products. Intelligent automotive vision, high-end lighting and advanced display thus represent unsaturated market segments with great potential in the industry, offering the largest room for technological advancement and future development.

We are one of the first companies in China to commence mass production of high-power flip-chip LED products. With years of dedication to R&D and technological accumulation, we developed a series of flip-chip LED technologies for different application scenarios. Our fundamental technologies also include advanced white LED packaging photoconversion technology, advanced LED integrated packaging technology and high-end LED device packaging technology. Benefiting from the synergies in developing these technologies, our technological capabilities remain at the forefront of global innovation.

OUR STRENGTHS

We believe that the following strengths contribute to our robust market position, ensuring our success and distinguishing us from our competitors:

- trusted solution provider of LED intelligent vision products and systems in China;
- vertical integration of industry value chain;
- robust technological expertise and advanced R&D capabilities;
- top-tier global customer base;
- large-scale lean manufacturing and information technology-driven production; and
- insightful, dedicated and experienced management.

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OUR STRATEGIES

Underpinned by our core team’s capabilities in self-innovation and technology iteration and leveraging our profound understanding of “LED+” technologies, we aim to effectively allocate resources to transition into a technology-focused industry leader that is driven by technological innovation and empowered by system development capabilities. We plan to implement the following strategies:

- expand into high-growth sectors through technological innovations;
- prioritize “LED+” innovation to drive technological breakthroughs;
- enhance vertical integration of industry value chain;
- improve lean manufacturing and intelligent production system; and
- adapt to market dynamics and expand production capacity.

OUR PRODUCTS

With the advancement of LED technologies and the widespread application of LED products, the industry has witnessed a shift towards “LED+” technologies. According to the Guangdong Illuminating Engineering Society, “LED+” technologies have become the industry norm, widely adopted by the industry and extensively cited by organizations and entities. “LED+” technologies integrate LED technologies with electronic control, software, sensors, optics and others, setting a new trajectory for industry development. This integration endows LED products with enhanced features of intelligence, integration and customization. According to CIC, the intelligence features include the ability to acquire, analyze and understand information, and to use knowledge to solve complex problems, adapt to environmental changes and make effective decisions, leading to the extensive utilization of “LED+” technologies across various application scenarios, including intelligent automotive vision, high-end lighting and advanced displays. See “Industry Overview.”

Through years of technological development and accumulation, we established a comprehensive technology and product matrix. This matrix, representing our core competitiveness, demonstrates a complete system for technology development and product iteration. It ensures the continual innovation and evolution of our technologies and products, underpinning our robust position in the fields of intelligent automotive vision, high-end lighting and advanced display.

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We design, develop and manufacture a wide range of LED intelligent vision products and system solutions, namely, LED products and system solutions, covering functions of lighting, illumination, display, sensing, decoration and interaction, with intelligent features. Specifically, our LED intelligent vision products encompass:

- intelligent automotive vision products, primarily including intelligent automotive lamps and automotive-grade LED devices and modules;
- high-end lighting products, primarily including high-end lighting devices and high-end lighting modules; and
- advanced display products, primarily including LED devices and modules that are applied to direct-lit or edge-lit LED backlight for LCD TVs.

The tables below set out a breakdown of our revenue, gross profit/(loss) and gross margin by product category for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2021		2022		2023		2023		2024	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
Intelligent automotive vision	74,251	5.3	399,674	28.3	770,973	41.5	225,676	36.1	365,445	43.4
Intelligent automotive lamps.	50,732	3.7	351,792	24.9	707,945	38.1	211,550	33.9	331,355	39.3
Automotive-grade LED devices and modules	23,519	1.6	47,882	3.4	63,028	3.4	14,126	2.2	34,090	4.1
High-end lighting	1,033,857	74.5	670,242	47.5	650,821	35.0	253,630	40.6	254,103	30.1
High-end lighting devices	849,273	61.2	494,608	35.1	469,971	25.3	175,302	28.1	177,117	21.0
High-end lighting modules	184,584	13.3	175,634	12.4	180,850	9.7	78,328	12.5	76,986	9.1
Advanced display	280,272	20.2	340,716	24.2	436,238	23.5	145,311	23.3	223,645	26.5
Total	1,388,380	100.0	1,410,632	100.0	1,858,032	100.0	624,617	100.0	843,193	100.0

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	Year ended December 31,						Five months ended May 31,			
	2021		2022		2023		2023		2024	
	Gross profit/(loss)	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
Intelligent automotive vision	(846)	(1.1)	70,061	17.5	115,240	14.9	23,077	10.2	56,084	15.3
Intelligent automotive lamps.	(1,210)	(2.4)	60,026	17.1	97,446	13.8	19,121	9.0	43,216	13.0
Automotive-grade LED devices and modules	364	1.5	10,035	21.0	17,794	28.2	3,956	28.0	12,868	37.7
High-end lighting	202,348	19.6	128,768	19.2	152,429	23.4	57,440	22.6	62,973	24.8
High-end lighting devices	178,753	21.0	103,066	20.8	110,918	23.6	38,738	22.1	45,158	25.5
High-end lighting modules	23,595	12.8	25,702	14.6	41,511	23.0	18,702	23.9	17,815	23.1
Advanced display	26,776	9.6	36,356	10.7	71,342	16.4	23,793	16.4	35,189	15.7
Total	228,278	16.4	235,185	16.7	339,011	18.2	104,310	16.7	154,246	18.3

See “Business — Our Products” and “Financial Information — Principal Components of Our Consolidated Statements of Profit or Loss.”

Intelligent Automotive Vision

Intelligent automotive vision is our fastest-growing business in terms of revenue and has become a strategic focus of our LED intelligent vision business. Our intelligent automotive vision products primarily include intelligent automotive lamps and automotive-grade LED devices and modules.

Intelligent automotive lamps, based on functions and applications, mainly include headlamps, rear lamps and interior lights. In line with the growing trend of automotive intelligence, intelligent automotive lamps are evolving towards higher-end, smarter and more customized solutions. As a key component in enhancing driving safety and experience, headlamps possess the highest value among all intelligent automotive lamps. In addition to providing light at night or in conditions of low visibility, our intelligent high-pixel ADB headlamps enable a longer illumination distance. They also feature intelligent anti-glare and cornering lamp functions, facilitating the drivers’ prompt detection of nearby objects and enhancing safety. In 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, we sold 41,722, 243,081, 455,049, 147,202 and 222,628 sets of intelligent automotive lamps, respectively, with an average selling price of RMB1,216.0, RMB1,447.2, RMB1,555.8, RMB1,437.2 and RMB1,488.4, respectively, both of which experienced a steady growth, showcasing the robust development of our intelligent automotive vision business.

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Automotive-grade LED devices and modules are the core components of automotive lamps, and their functionality and performance are highly correlated with driving safety. We are one of the first companies in China to develop flip-chip high-power automotive-grade LED technology and products, and to adopt this technology in automotive headlamps. The sales of our automotive-grade LED devices and modules also experienced steady growth during the Track Record Period. In 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, we sold 114.1 million, 207.6 million, 172.0 million, 62.2 million and 80.4 million pieces of automotive-grade LED devices, respectively, with an average selling price of RMB0.17, RMB0.17, RMB 0.27, RMB0.14 and RMB0.32, respectively. During the same periods, we sold 63.8 thousand, 531.8 thousand, 1,133.8 thousand, 449.6 thousand and 483.8 thousand bars of automotive LED modules, respectively, with an average selling price of RMB20.81, RMB23.62, RMB14.85, RMB11.87 and RMB16.88, respectively. See “Business — Our Products — Intelligent Automotive Vision — Automotive-Grade LED Devices and Modules.”

Relationship with Geely Related Group

We have maintained a strategic business relationship with Geely Holding and many of its related automotive OEMs since the establishment of Lynway Vision in 2018. Leveraging its globally innovative automobile ecosystem, Geely Holding is developing new automobile models that feature a variety of advanced intelligent technologies, resulting in substantial and ongoing needs for intelligent automotive vision products. Our swift response to the needs of Geely Holding and its related automotive OEMs shortens the R&D cycle for intelligent automotive lamp projects, while our innovative products and services support their development of competitive new automobile models that appeal to the evolving demands of consumers. See “Business — Sales and Marketing — Relationship with Geely Related Group.” Geely Related Group includes (i) Geely Group, (ii) LI Shufu and his related companies other than Geely Group and (iii) Yaoning Technology and its associates. During the Track Record Period, a majority of the sales of our intelligent automotive vision products were attributable to Geely Related Group. In 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, revenue from Geely Related Group was RMB50.6 million, RMB350.1 million, RMB705.8 million RMB211.4 million and RMB326.7 million, respectively, accounting for 3.6%, 24.8%, 38.0%, 33.8% and 38.8% of our total revenue, respectively, for the same periods. We expect that revenue from Geely Related Group will continue to increase in the near future. We were certified as a supplier candidate and secured intelligent automotive lamps products from Geely Holding and its related OEMs through competitive bidding processes. In 2021, 2022 and 2023, our tender success rates for intelligent automotive lamp projects from Geely Related Group were 80.0%, 53.3% and 40.0%, respectively. Our tender success rate decreased from 2021 to 2022 primarily because we engaged in a limited number of project tenders to ensure stable and high-quality delivery during the initial development stage of our intelligent automotive lamp business in 2021. Our tender success rate decreased in 2023 primarily because (i) we reduced our engagement in bidding processes to focus on projects

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commencing mass production, which required significant R&D resources, and (ii) we strategically participated in the bidding processes of projects with higher profit margins, which were inherently more competitive.

Manufacturers of intelligent automotive lamps undergo complicated procedures in their project acquisition phase. Automotive OEMs inspect the qualifications of supplier candidates and select their suppliers for individual automotive lamp projects through a bidding process, where supplier candidates are typically scrutinized for their R&D, manufacturing and quality control capabilities. Only supplier candidates who passed such inspections can qualify as a supplier for automotive OEMs. According to CIC, automotive OEMs rarely switch suppliers during the mass production stage once the qualified suppliers have secured the corresponding intelligent automotive vision projects, as the switching process can be very costly and inefficient for the automotive OEMs.

Benefiting from our robust technical capabilities, vertical integration of the industry value chain and the experience in the LED intelligent vision industry and intelligent automotive vision projects, we carry out efficient design and production processes and respond swiftly to customer requirements. As a result, in addition to supplying to Geely Holding and its related automotive OEMs, we are a qualified supplier for more than 20 automotive OEMs and Tier-1 suppliers, including GAC, Changan Auto and Li Auto, to provide them with our automotive-grade LED devices and modules.

High-End Lighting

Our high-end lighting products primarily include high-end lighting devices and high-end lighting modules.

Our high-end lighting devices, featuring high luminous efficacy, high light quality, high color rendering index (CRI) and high brightness, are primarily applied in specialized lighting scenarios such as indoor lighting, outdoor lighting, horticultural lighting, intelligent lighting and special lighting. In 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, we sold 7,961.8 million, 3,567.3 million, 3,239.5 million, 1,399.5 million and 1,320.5 million pieces of high-end lighting devices, respectively, due to the adverse impact of the COVID-19 pandemic in 2020 on market demand and the intensification of competition in the high-end lighting market. During the Track Record Period, the average selling price of our high-end lighting devices increased from RMB0.11 per piece in 2021 to RMB0.14 in 2022, further to RMB0.15 in 2023, which was in line with our strategy towards high-end products with enhanced performance and higher gross profit margins. The average selling price remained relatively stable at RMB0.13 per piece in the five months ended May 31, 2023 and 2024.

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Our high-end lighting modules, featuring high luminous efficacy, high color consistency, simple assembly and the functions of intelligent dimming, meet the needs for intelligent and specialized lighting applications. In 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, we sold 15.6 million, 13.4 million, 12.4 million, 4.8 million and 6.2 million bars of high-end lighting modules, respectively. The average selling price of our high-end lighting modules was RMB11.82, RMB13.09, RMB14.57, RMB16.46 and RMB12.51 per bar, respectively, in 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024. The fluctuations during the Track Record Period were primarily due to the customized nature of module products and adjustments of product portfolio corresponding to customer demand.

Advanced Display

Our advanced display device and module products are categorized into direct-lit and edge-lit, and they are mainly designed for backlight displays. Backlight displays, which use LEDs to illuminate LCD panels, are applied to LCD TVs, computer monitors and other electronic products. We are among the first companies in China that accomplished the packaging technology and product development of leadframe-type flip-chip LED high color gamut devices. The sales volume of our advanced display devices was 426.2 million, 240.3 million, 368.2 million, 152.8 million and 255.2 million in 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, respectively, and the fluctuation was primarily due to changes in customer demand. The average selling prices stayed relatively stable at RMB0.15 per piece in 2021 and 2022, slightly decreased to RMB0.12 per piece in 2023. The average selling price remained relatively stable at RMB0.12 and RMB0.13 per piece in the five months ended May 31, 2023 and 2024, respectively. Leveraging our advanced display devices, we engineered advanced display modules for backlight applications, offering uniform color and luminance, cost-effectiveness, high brightness and high color gamut, to cater to diverse application requirements concerning size, slimness and brightness. During the Track Record Period, the sales volume of our advanced display modules steadily increased from 32.3 million bars in 2021 to 42.7 million bars in 2022, further to 55.0 million bars in 2023, and from 18.7 million bars in the five months ended May 31, 2023 to 23.1 million bars in the five months ended May 31, 2024. The average selling price of our advanced display modules increased from RMB6.69 per bar in 2021 to RMB7.12 in 2022, remained relatively stable at RMB7.10 in 2023, and increased from RMB6.76 per bar in the five months ended May 31, 2023 to RMB8.25 in the five months ended May 31, 2024. The increases in both sales volume and average selling prices were primarily due to the growing trend of large screen televisions and our development focus towards high-tech and high-profit margin products.

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OUR SALES CHANNELS

During the Track Record Period, our products were sold in more than 20 countries and regions, primarily in the Asia, Europe and North America. The following table sets forth a breakdown of our revenue, gross profit and gross margin by geographic region for the periods indicated:

	Year ended December 31,											Five months ended May 31,								
	2021			2022			2023			2023			2024							
	Revenue	% of total revenue	Gross profit margin	Revenue	% of total revenue	Gross profit margin	Revenue	% of total revenue	Gross profit margin	Revenue	% of total revenue	Gross profit margin	Revenue	% of total revenue	Gross profit margin					
	<i>(RMB in thousands, except for percentages)</i>																			
	<i>(unaudited)</i>																			
Mainland China	1,058,750	76.3	173,885	16.4	1,136,009	80.5	197,392	17.4	1,576,756	84.9	293,017	18.6	515,804	82.6	89,639	17.4	707,518	83.9	127,148	18.0
Overseas	329,630	23.7	54,393	16.5	274,623	19.5	37,793	13.8	281,276	15.1	45,994	16.4	108,813	17.4	14,671	13.5	135,675	16.1	27,098	20.0
Total	1,388,380	100.0	228,278	16.4	1,410,632	100.0	235,185	16.7	1,858,032	100.0	339,011	18.2	624,617	100.0	104,310	16.7	843,193	100.0	154,246	18.3

During the Track Record Period, high-end lighting business contributed to the majority of our overseas revenue. In 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, overseas revenue from high-end lighting amounted to RMB289.7 million, RMB225.0 million, RMB234.0 million, RMB91.5 million and RMB105.2 million, respectively. Overseas revenue from intelligent automotive vision increased from RMB0.2 million in 2021 to RMB0.8 million in 2022, further to RMB5.9 million in 2023. Overseas revenue from intelligent automotive vision was RMB2.5 million and RMB3.9 thousand in the five months ended May 31, 2023 and 2024, respectively. Overseas revenue from advanced display amounted to RMB39.7 million, RMB48.9 million, RMB41.3 million, RMB14.8 million and RMB30.5 million in 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, respectively.

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Our products are primarily sold through direct sales, such as direct orders from automotive OEMs, TV and lighting companies. During the Track Record Period, we also engaged three channel partners, including two distributors for the sales of automotive-grade devices, and Shenzhen MPEG for the sales of advanced display products. The engagement of distributors helps expedite and enhance our penetration into the automotive-grade LED lighting markets, and allows us to save on costs and effort relating to the supplier approval process and supplier qualification maintenance. The collaboration with Shenzhen MPEG is a strategic move for us to penetrate the supply chain of major TV brands in China. The table below sets out a breakdown of our revenue by sales channel for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2021		2022		2023		2023		2024	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except percentage)</i>									
	<i>(unaudited)</i>									
Direct sales	1,220,663	87.9	1,261,897	89.5	1,718,451	92.5	585,254	93.7	780,251	92.5
Channel partners	167,717	12.1	148,735	10.5	139,581	7.5	39,363	6.3	62,942	7.5
Total	1,388,380	100.0	1,410,632	100.0	1,858,032	100.0	624,617	100.0	843,193	100.0

We price our products based on factors including prices of competing products, costs of raw materials and consumables, cost of production, market position of the product as well as expected purchase orders. For products to be sold overseas, we also consider the direct competition with overseas competitors and the need for maintaining the premium status of our brands and high-end products. Our final quotation is determined based on the reasonable range of gross profit margin generated by the pricing process. We provide guide prices for our products. Distributors are not permitted to set prices lower than our guide prices unless otherwise authorized by us.

See “Business — Sales and Marketing.”

OUR PRODUCTION

Given the commonalities in raw materials and manufacturing processes for LED devices and modules used in intelligent automotive vision, high-end lighting and advanced display applications, we can leverage the benefits of large-scale procurement and mass production, which allows us to achieve economies of scale, thereby significantly reducing our production costs. During the Track Record Period, we had three production bases, namely the APT production base, the Linlux production base and the Lynway Ningbo production base.

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Set forth below are the details of the designed production capacity and utilization rates for our production bases for the periods indicated.

	Year Ended December 31,									Five months ended May 31,					
	2021			2022			2023			2023			2024		
	Utilization			Utilization			Utilization			Utilization			Utilization		
	Designed Capacity	Actual Production	Rate (%)	Designed Capacity	Actual Production	Rate (%)	Designed Capacity	Actual Production	Rate (%)	Designed Capacity	Actual Production	Rate (%)	Designed Capacity	Actual Production	Rate (%)
APT production base (<i>kkpcs</i>)	21,950.0	20,403.6	93.0	24,195.0	12,549.9	51.9	24,845.5	13,572.1	54.6	10,352.3	5,024.7	48.5	10,594.2	6,296.1	59.4
Linlux production base (<i>'000 bars</i>)	86,320.7	56,616.4	65.6	128,862.5	80,831.1	62.7	145,637.8	114,726.5	78.8	57,548.8	35,815.0	62.2	69,307.2	60,282.6	87.0
Lynway Ningbo production base															
Headlamps (<i>'000 sets</i>)	86.4	28.1	32.5	241.0	170.7	70.9	373.8	284.5	76.1	115.8	89.5	77.3	195.8	110.3	56.3
Rear lamps (<i>'000 sets</i>)	127.5	64.0	50.2	159.0	96.9	61.0	291.0	141.3	48.6	66.3	34.6	52.2	226.3	125.8	55.6

Note:

- (1) Our production capacity is measured in different units due to different forms of our products. See “Business — Production — Production Bases.”

Our production capabilities are designed to align with our customers’ demands, ensuring a consistent and reliable supply of products. Our production process is designed to promote high standards of quality while simultaneously providing the agility to expedite production to meet customers’ demands in a timely manner. Our design and manufacturing capabilities also facilitate the introduction of a diverse spectrum of LED products into the markets.

See “Business — Production.”

PROCUREMENT AND SUPPLY CHAIN MANAGEMENT

We procure certain raw materials and consumables from qualified suppliers to maintain quality standards, optimize our cost structure and achieve desired scale of production. The key raw materials and consumables for our operations primarily include LED chips, leadframes, PCBs, automotive lamp modules, plastic particles, drivers and electronic components. During the Track Record Period, we sourced raw materials and consumables from both domestic and international suppliers. In addition, benefited from our vertical integration capabilities, we use self-produced LED devices as key components of our LED modules and advanced display products.

We have adopted a series of supplier management system to stipulate the selection and engagement process, quality standards and regular evaluation and assessment. We generally select suppliers that can offer quality products, cost efficiency, timely delivery, production capacity and valuable customer services. We also consider our needs for technological development and

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security. Our supply chain management system, with its data and analytical capabilities, reduces procurement costs, improves our quality control implementation and enhances overall operating efficiency.

During the Track Record Period, our major suppliers primarily include providers of LED chips, leadframes, LED devices and bonding wires. Purchase amount from our five largest suppliers in each period of the Track Record Period accounted for 43.0%, 26.2%, 22.1% and 21.6% of our total purchase amount, respectively. Purchase amount from our largest supplier in each period of the Track Record Period accounted for 25.9%, 12.8%, 9.3% and 7.5% of our total purchase amount, respectively.

See “Business — Procurement and Supply Chain Management.”

CUSTOMERS

Our strong industry reputation and recognition enable us to build lasting relationships with customers. We collaborated with more than 20 domestic automotive OEMs, automotive brands and Tier-1 suppliers, including industry leaders such as Geely Auto (吉利汽車), Lynk & Co (領克), ZEEKR (極氪), Smart, Lotus (路特斯), GAC (廣汽), Changan Auto (長安汽車), Li Auto (理想汽車), Marelli and Koito. Our customers and end users include top-tier international lighting companies such as Signify (formerly known as Philips Lighting), Samsung, Panasonic and Toyoda Gosei, as well as well-known TV brands such as Hisense (海信), TCL, Skyworth (創維), Changhong (長虹), LG and Samsung.

Revenue from our five largest customers in each period of the Track Record Period accounted for 71.8%, 73.2%, 73.5% and 77.1% of our total revenue, respectively. Revenue from our largest customer in each period of the Track Record Period accounted for 30.5%, 24.8%, 38.0% and 38.8% of our total revenue, respectively.

See “Business — Sales and Marketing — Our Customers.”

QUALITY CONTROL

We have devoted substantial resources to quality control since the inception of our business. In 2009, we obtained our first ISO9001 certification for our quality management system, and obtained our first IATF16949 certification for our quality management system in automotive industry in 2017. We established our proprietary quality control system based on the ISO9001 and IATF16949 standards. Our quality policy targets customer satisfaction and comprehensive quality control throughout our operation. Our quality control team is responsible for the overall quality management of our operations which mainly covers the formation and implementation of various policies and standards, quality inspections, resolution of accidents and disputes, internal reviews and continuous quality improvement. In addition to our internal reviews, we are also subject to external reviews as requested by our customers, which involve both comprehensive and target

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reviews of our quality control system, product certification and production facilities. Through both internal and external reviews, we pinpoint areas for enhancement and address concerns based on a closed-loop process. As a result of our commitment to quality control, we did not experience any material sales returns or any material product liability or major legal claims due to quality control issues, and did not recall any products during the Track Record Period and up to the Latest Practicable Date.

See “Business — Quality Control.”

COMPETITIVE LANDSCAPE

We compete in a large yet highly competitive market. China has the world’s largest LED intelligent vision industry, with a market size of RMB440.2 billion in 2023 in terms of revenue. China’s LED intelligent vision market grew at a CAGR of 6.7% from 2019 to 2023 and is expected to grow at a CAGR of 9.1% from 2023 to 2028, reaching RMB679.2 billion in 2028.

We compete with both solution providers of intelligent automotive vision products and systems and LED product manufacturers. For the intelligent automotive vision sector, the ongoing shifts towards intelligence and new energy present great opportunities for emerging manufacturers with innovative technology and strategic product positioning. We compete with solution providers of intelligent automotive vision products and systems on key factors such as technological advantages, large-scale mass production and quality control capabilities as well as vertical integration capabilities within the industry value chain spanning from devices and modules to automotive lamps. For the high-end lighting and LCD TV backlight display market, the emergence of new technologies and product iteration became key drivers for domestic LED product manufacturers to capture a larger market share. In terms of revenue, we ranked third among domestic device and module manufacturers in China’s high-end lighting industry and fifth among all device and module manufacturers in the same industry, with a market share of 5.3% in 2023. We ranked fifth among domestic manufacturers in China’s mid- to high-end intelligent automotive vision industry and twelfth among all manufacturers in the same industry, with a market share of 0.5% in 2023. We ranked fourth among both domestic and all manufacturers in China’s LCD TV backlight display industry, with a market share of 9.1% in 2023.

Leveraging our profound understanding of “LED+” technologies, we are committed to expanding our market share with LED products with enhanced performance catering to the evolving customer expectations.

See “Industry Overview” and “Business — Competition.”

SUMMARY

SUMMARY OF HISTORICAL AND FINANCIAL INFORMATION

The tables below present our summary consolidated financial data derived from our consolidated statements of profit or loss and other comprehensive income and consolidated cash flow statements in 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024 and our consolidated statements of financial position as of December 31, 2021, 2022, 2023 and May 31, 2024 included in the Accountants' Report of the Group in Appendix IA to this prospectus. The following data and discussion should be read in conjunction with our consolidated financial statements and related notes and the section headed "Financial Information."

Key Items of the Consolidated Statements of Profit or Loss

The following table sets forth a summary of our consolidated statements of profit or loss for the periods indicated.

	Year ended December 31,			Five months ended May 31,	
	2021	2022	2023	2023	2024
	<i>(RMB in thousands)</i>			<i>(unaudited)</i>	
Revenue.	1,388,380	1,410,632	1,858,032	624,617	843,193
Cost of sales	(1,160,102)	(1,175,447)	(1,519,021)	(520,307)	(688,947)
Gross profit	228,278	235,185	339,011	104,310	154,246
Profit for the year/period	78,000	39,071	72,043	7,563	32,173
Attributable to:					
Owners of the parent	85,896	40,791	66,378	14,146	32,173
Non-controlling interests.	(7,896)	(1,720)	5,665	(6,583)	—
	78,000	39,071	72,043	7,563	32,173

Non-IFRS Financial Measure

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use EBITDA (non-IFRS measure)/adjusted EBITDA (non-IFRS measure) and adjusted net profit (non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with, IFRS. We believe that these non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of certain items. We believe that these measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of EBITDA (non-IFRS measure)/adjusted EBITDA (non-IFRS measure) and adjusted net profit (non-IFRS measure) may not be comparable to similarly titled measures presented by other

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companies. The use of these non-IFRS measures has limitations as an analytical tool and you should not consider them in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRS.

We define EBITDA (non-IFRS measure) as profit for the period adjusted for depreciation and amortization, finance costs and income tax expense. We define adjusted EBITDA (non-IFRS measure) as EBITDA (non-IFRS measure) adjusted by adding back share-based payment expenses and listing expenses. We define adjusted net profit (non-IFRS measure) as profit for the period adjusted by adding back share-based payment expenses and listing expenses. Share-based payment expenses are non-cash in nature. Listing expenses are expenses relating to the Global Offering.

The following table sets out a reconciliation of profit for the period to EBITDA (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) for the periods indicated:

	Year ended December 31,			Five months ended May 31,	
	2021	2022	2023	2023	2024
	<i>(RMB in thousands)</i>			<i>(unaudited)</i>	
Reconciliation of profit for the year/period to EBITDA (non-IFRS measure) and adjusted EBITDA (non-IFRS measure)					
Profit for the year/period	78,000	39,071	72,043	7,563	32,173
Add:					
Depreciation of property, plant and equipment	61,173	97,469	118,489	49,417	50,794
Depreciation of right-of-use assets	1,468	2,478	2,649	1,104	1,104
Amortization of intangible assets	7,499	10,087	9,988	4,323	4,133
Finance costs	2,817	6,445	4,838	2,188	1,272
Income tax expenses/(credit)	13,022	(28,368)	(282)	(4,285)	2,529
EBITDA (non-IFRS measure).	163,979	127,182	207,725	60,310	92,005
Add:					
Share-based payment expenses	1,669	1,698	3,187	724	3,101
Listing expense	—	—	6,590	—	11,569
Adjusted EBITDA (non-IFRS measure).	165,648	128,880	217,502	61,034	106,675

SUMMARY

The following table reconciles our adjusted net profit (non-IFRS measure) for the periods presented in accordance with IFRS, which is profit for the periods indicated:

	Year ended December 31,			Five months ended May 31,	
	2021	2022	2023	2023	2024
	<i>(RMB in thousands)</i>			<i>(unaudited)</i>	
Reconciliation of profit for the year/period to adjusted net profit (non-IFRS measure)					
Profit for the year/period	78,000	39,071	72,043	7,563	32,173
Add:					
Share-based payment expenses	1,669	1,698	3,187	724	3,101
Listing expense	—	—	6,590	—	11,569
Adjusted net profit (non-IFRS measure).	79,669	40,769	81,820	8,287	46,843

Principal Components of Our Consolidated Statements Of Profit or Loss

Our revenue increased from RMB1,388.4 million in 2021 to RMB1,410.6 million in 2022, and further increased to RMB1,858.0 million in 2023, primarily due to the increase in revenue from intelligent automotive vision and advanced display, partially offset by the decrease in revenue from high-end lighting. Specifically, since we acquired a controlling interest in Lynway Vision in September 2021 and consolidated its results, our intelligent automotive vision business started to generate revenue, which amounted to RMB74.3 million in 2021. During the same year, we also recorded a share of loss of Lynway Vision of RMB23.3 million, as a result of its significant upfront R&D expenses while it had yet to commence mass production. Our revenue increased from RMB624.6 million in the five months ended May 31, 2023 to RMB843.2 million in the five months ended May 31, 2024, primarily due to the increases in revenue from intelligent automotive vision and advanced display. During the Track Record Period, revenue from intelligent automotive vision increased significantly from RMB74.3 million in 2021 by 438.3% to RMB399.7 million in 2022, further increased by 92.9% to RMB771.0 million in 2023, and increased by 61.9% from RMB225.7 million in the five months ended May 31, 2023 to RMB365.4 million in the five months ended May 31, 2024.

Our gross profit increased from RMB228.3 million in 2021 to RMB235.2 million in 2022 and further increased to RMB339.0 million in 2023. Our gross profit increased by 47.9% from RMB104.3 million in the five months ended May 31, 2023 to RMB154.2 million in the five months ended May 31, 2024, which was in line with the increase of our revenue.

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Our profit for the year decreased from RMB78.0 million in 2021 to RMB39.1 million in 2022, primarily due to (i) the decreased market demand and orders as a result of our customers' stocking up in 2021 and subsequent inventory depleting in 2022 in the high-end lighting business, (ii) the increased raw material and consumable costs and staff costs incurred in the intelligent automotive vision business and advanced display business, and (iii) the non-recurrence of the gain on remeasurement of the equity interest in an associate to a subsidiary at the date of acquisition as a result of the consolidation of Lynway Vision in September 2021. Our profit for the year increased from RMB39.1 million in 2022 to RMB72.0 million in 2023, primarily due to (i) the significant revenue increase from our intelligent automotive vision business as we achieved economies of scale, (ii) our expansion of product offerings that focused on high-tech and high-profit margin products in high-end lighting business and advanced display business, and (iii) our strengthened supply chain management and production management. Our profit for the period increased from RMB7.6 million in the five months ended May 31, 2023 to RMB32.2 million in the five months ended May 31, 2024, primarily due to the revenue growth of our intelligent automotive vision and advanced display business, and the decrease in the net provision for impairment of inventory. We also recognized government grants in profit or loss amounted to RMB29.9 million, RMB12.7 million, RMB11.2 million, RMB6.2 million and RMB1.4 million in 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, respectively.

Our net profit margin decreased from 5.6% in 2021 to 2.8% in 2022, and increased to 3.9% in 2023. Our net profit margin increased from 1.2% in the five months ended May 31, 2023 to 3.8% in five months ended May 31, 2024, which was in line with our net profit.

See “Financial Information — Principal Components of Our Consolidated Statements of Profit or Loss.”

SUMMARY

Selected Items from the Consolidated Statements of Financial Position

The following table sets forth selected information from our consolidated statements of financial position as of the dates indicated:

	As of December 31,			As of May 31,
	2021	2022	2023	2024
	<i>(RMB in thousands)</i>			
Total current assets	1,013,544	1,062,753	1,368,281	1,479,669
Total non-current assets	966,312	1,014,916	1,031,876	1,029,918
Total assets	1,979,856	2,077,669	2,400,157	2,509,587
Total current liabilities	919,728	1,002,910	1,300,698	1,321,638
Total non-current liabilities	150,269	123,677	73,096	83,168
Total liabilities	1,069,997	1,126,587	1,373,794	1,404,806
Net current assets	93,816	59,843	67,583	158,031
Non-controlling interests	62,286	60,566	—	—
Total equity	909,859	951,082	1,026,363	1,104,781

Our net current assets increased by 133.8% from RMB67.6 million as of December 31, 2023 to RMB158.0 million as of May 31, 2024, primarily due to an increase in trade and bills receivables, partially offset by an increase in trade and bills payables due to the increase in the procurement volume of raw materials and consumables. Such changes were primarily in line with the growth of our intelligent automotive vision and advanced display businesses.

Our net current assets increased by 13.0% from RMB59.8 million as of December 31, 2022 to RMB67.6 million as of December 31, 2023, primarily due to (i) an increase in cash and cash equivalents due to an increase in settlements through cash by our customers, and (ii) an increase in financial assets at fair value through profit or loss due to our increased investment in wealth management products, both in line with our overall business expansion and revenue growth, partially offset by an increase in trade and bills payables primarily due to (i) an increase in the procurement volume of raw materials and consumables in line with the revenue growth of intelligent automotive vision and advanced display businesses and (ii) the longer trade and bills payables turnover days resulting from our enhanced bargaining power in procurement.

Our net current assets decreased by 36.2% from RMB93.8 million as of December 31, 2021 to RMB59.8 million as of December 31, 2022, primarily due to (i) an increase in trade and bills payables as a result of the increase in demand for raw materials and consumables in line with the expansion of our intelligent automotive vision business and (ii) an increase in other payables and accruals because we used more commercial papers in settlements. This was partially offset by an increase in trade and bills receivables in line with the growth of our intelligent automotive vision business and advanced display business.

SUMMARY

Our total equity increased from RMB909.9 million as of December 31, 2021 to RMB951.1 million as of December 31, 2022, primarily due to (i) the profit for the year of RMB39.1 million in 2022 and (ii) the share-based payment expenses of RMB1.7 million as a result of the restricted shares granted under the Share Incentive Scheme I. Our total equity further increased from RMB951.1 million as of December 31, 2022 to RMB1,026.4 million as of December 31, 2023, primarily due to (i) the profit for the year of RMB72.0 million in 2023 and (ii) the share-based payment expenses of RMB3.2 million as a result of the restricted shares granted under the Share Incentive Schemes. Our total equity increased by 7.6% from RMB1,026.4 million as of December 31, 2023 to RMB1,104.8 million as of May 31, 2024, primarily due to (i) the profit for the period of RMB32.2 million in the five months ended May 31, 2024, (ii) the capital contribution from shareholders of RMB43.2 million, and (iii) the share-based payment expenses of RMB3.1 million as a result of the restricted shares granted under the Share Incentive Schemes.

See “Financial Information — Description of Certain Components of Our Consolidated Statements of Financial Position.”

Summary of the Consolidated Statements of Cash Flow

The following table sets forth selected cash flow statement information for the periods indicated:

	Year ended December 31,			Five months ended May 31,	
	2021	2022	2023	2023	2024
	<i>(RMB in thousands)</i>			<i>(unaudited)</i>	
Cash generated from operations	93,575	120,554	424,735	201,866	43,705
Interest received	2,800	3,241	3,276	1,289	1,627
Income taxes (paid)/refund	(9,128)	1,492	3,481	3,481	(3,109)
Net cash flows from operating activities	87,247	125,287	431,492	206,636	43,223
Net cash flows (used in)/from investing activities	(281,024)	(85,720)	(272,750)	(266,035)	3,275
Net cash flows from/(used in) financing activities	116,220	(28,524)	(57,070)	3,465	24,529
Net (decrease)/increase in cash and cash equivalents	(77,557)	11,043	101,672	(55,934)	70,027
Cash and cash equivalents at beginning of the year/period	174,391	96,778	108,231	108,231	209,878
Effect of foreign exchange rate changes, net	(56)	410	(25)	(184)	180
Cash and cash equivalents at the end of the year/period	96,778	108,231	209,878	52,113	280,085

SUMMARY

See “Financial Information — Liquidity and Capital Resources — Cash Flows.”

Selected Financial Ratios

The following table sets forth our key financial ratios for the periods or as of the dates indicated:

	Year ended December 31,			Five months ended May 31,	
	2021	2022	2023	2023	2024
				<i>(unaudited)</i>	
Revenue growth ⁽¹⁾	—	1.6%	31.7%	—	35.0%
Gross profit growth ⁽²⁾	—	3.0%	44.1%	—	47.9%
Gross profit margin ⁽³⁾	16.4%	16.7%	18.2%	16.7%	18.3%
Adjusted net profit margin (non-IFRS measure) ⁽⁴⁾	5.7%	2.9%	4.4%	1.3%	5.6%
Adjusted EBITDA margin (non-IFRS measure) ⁽⁵⁾	11.9%	9.1%	11.7%	9.8%	12.7%
	As of December 31,			As of May 31,	
	2021	2022	2023	2024	
Current ratio (<i>times</i>) ⁽⁶⁾	1.1	1.1	1.1	1.1	
Quick ratio (<i>times</i>) ⁽⁷⁾	0.9	0.8	0.9	0.9	
Gearing ratio ⁽⁸⁾	16.5%	13.7%	7.8%	5.7%	

Notes:

- (1) Revenue growth is calculated as the period-on-period growth rate of revenue.
- (2) Gross profit growth is calculated as the period-on-period growth rate of gross profit.
- (3) The calculation of gross profit margin is based on gross profit for the period divided by revenue and multiplied by 100%. See “Financial Information — Principal Components of Our Consolidated Statements of Profit or Loss — Gross Profit/(Loss) and Gross Margin.”
- (4) Adjusted net profit margin (non-IFRS measure) is calculated as adjusted net profit (non-IFRS measure) divided by revenue and multiplied by 100%.
- (5) Adjusted EBITDA margin (non-IFRS measure) is calculated as adjusted EBITDA (non-IFRS measure) divided by revenue and multiplied by 100%.
- (6) Current ratio is calculated as current assets divided by current liabilities as of the relevant period end.
- (7) Quick ratio is calculated as current assets less inventories divided by current liabilities as of the relevant period end.
- (8) Gearing ratio is calculated as total bank borrowings divided by the total equity as of the end of the respective period and multiplied by 100%.

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Revenue growth

See “Financial Information — Results of Operations” for a discussion of the factors affecting our revenue growth during the Track Record Period.

Gross profit growth

See “Financial Information — Results of Operations” for a discussion of the factors affecting our gross profit growth during the Track Record Period.

Gross profit margin

Our gross profit margin increased from 16.4% in 2021 to 16.7% in 2022, primarily because (i) we achieved economies of scale and improved profit margins in our intelligent automotive vision business in 2022, and (ii) our bargaining power in procurement and internal production management enhanced as our advanced display business developed. Our gross profit margin increased to 18.2% in 2023, primarily due to (i) the increased sales of our high-profit margin products in the high-end lighting business and advanced display business, and (ii) our strengthened supply chain management and production management, partially offset by the decrease in the gross profit margin for intelligent automotive lamps as we adopted more competitive pricing strategies in response to the intensified competition. Our gross profit margin increased from 16.7% in the five months ended May 31, 2023 to 18.3% in the five months ended May 31, 2024, primarily due to (i) improved operational efficiencies achieved from the growth of our intelligent automotive business, (ii) the increased sales of our high-tech and high-profit margin products in the high-end lighting business, and (iii) measures taken to maintain the competitive advantage of our products, including product design optimization, process improvement and enhanced supply chain management. See “Financial Information — Results of Operations” for a discussion of the factors affecting our gross profit margin during the Track Record Period.

Adjusted net profit margin (non-IFRS measure)

Our adjusted net profit margin (non-IFRS measure) decreased from 5.7% in 2021 to 2.9% in 2022, primarily due to the increase in our revenue attributable to the intelligent automotive vision business and advanced display business and the decrease in our profit for the year. Our adjusted net profit margin (non-IFRS measure) increased from 2.9% in 2022 to 4.4% in 2023 and from 1.3% in the five months ended May 31, 2023 to 5.6% in the five months ended May 31, 2024, primarily due to the increase in our profit for the year/period. See “Financial Information — Results of Operations” for a discussion of the factors affecting our adjusted net profit margin (non-IFRS measure) during the Track Record Period.

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Adjusted EBITDA margin (non-IFRS measure)

Our adjusted EBITDA margin (non-IFRS measure) decreased from 11.9% in 2021 to 9.1% in 2022, primarily due to the decrease in our profit for the year. Our adjusted EBITDA margin (non-IFRS measure) increased from 9.1% in 2022 to 11.7% in 2023 and from 9.8% in the five months ended May 31, 2023 to 12.7% in the five months ended May 31, 2024, primarily due to the increase in our profit for the year and the increase in depreciation of property, plant and equipment. See “Financial Information — Results of Operations” and “Financial Information — Principal Components of Our Consolidated Statements of Profit or Loss — Non-IFRS Financial Measure — EBITDA (Non-IFRS Measure) and Adjusted EBITDA (Non-IFRS Measure)” for a discussion of the factors affecting our adjusted EBITDA margin (non-IFRS measure) during the Track Record Period.

Current ratio

Our current ratio remained stable at 1.1x as of December 31, 2021, 2022, 2023 and May 31, 2024.

Quick ratio

Our quick ratio remained relatively stable at 0.9x, 0.8x, 0.9x and 0.9x as of December 31, 2021, 2022, 2023 and May 31, 2024, respectively.

Gearing ratio

Our gearing ratio decreased from 16.5% as of December 31, 2021 to 13.7% as of December 31, 2022, to 7.8% as of December 31, 2023, and further decreased to 5.7% as of May 31, 2024, primarily due to (i) the decrease in our bank borrowings and (ii) the increase in our total equity.

RISK FACTORS

Our business and the Global Offering involve certain risks as set out in “Risk Factors” in this prospectus. You should read that section in its entirety carefully before you decide to invest in our Shares. We believe the most significant risks we face include but are not limited to the following:

- we face significant competition in the industry in which we operate, and if we are unable to compete effectively, our results of operations and financial condition may be materially and adversely affected;
- we are exposed to customer concentration risk;
- demand for our LED products depends on trends and developments in their corresponding end products and end markets;

SUMMARY

- any adjustment in our business mix may result in fluctuations in our profitability, which may adversely and materially affect our financial condition and results of operations; and
- we rely on the stability of our supply chain as well as a number of key suppliers, the loss of which could adversely affect our business.

See “Risk Factors.”

OUR CONTROLLING SHAREHOLDER GROUP

As of the Latest Practicable Date, the Controlling Shareholder Group, including Mr. Xiao, Mr. Chan, Mr. Yuan, APTESS Company Limited, Giant Power Limited, Ms. Loh, Advanced Photoelectronic, Jingyu Investment, Jingling Investment, Jingrui Investment and Jingshi Investment by virtue of the acting-in-concert agreements and relationship among them, was collectively interested in approximately 47.11% of our total share capital. See “History, Development and Corporate Structure — The Concert Party Group” in this prospectus for details.

Immediately following the completion of the Global Offering (assuming the Offer Size Adjustment Option is not exercised), the Controlling Shareholder Group will continue to control in aggregate approximately 44.13% of our total share capital. Therefore, they will remain as a group of our Controlling Shareholders. See “Relationship With Our Controlling Shareholder Group” for details.

PRE-IPO INVESTMENTS

We concluded several Pre-IPO Investments subsequent to our voluntary withdrawal of the STAR application in May 2020, through share transfers initiated by our then Shareholders. As of the Latest Practicable Date, our Pre-IPO Investors consisted of Gossel, Yuecai, Jiaoying Yihao, DENG Zhifeng, Vision Capital, Shidiya (each as defined in the section headed “History, Development and Corporate Structure” in this prospectus), FAN Wuzhou, HUANG Dinghe, GU Wenjun, ZHOU Xiaoyang and LIU Jun. For further details of the background of the Pre-IPO Investors and the principal terms of the Pre-IPO Investments, see “History, Development and Corporate Structure — Pre-IPO Investments” in this prospectus.

CONTINUING CONNECTED TRANSACTIONS

We have entered into and are expected to continue with certain transactions after the completion of the Global Offering which will constitute our non-exempt continuing connected transactions under Chapter 14A of Listing Rules upon Listing. See “Connected Transactions” and “Waivers from Strict Compliance with the Listing Rules — Waiver in Relation to Non-Exempt Continuing Connected Transactions” for further details.

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PREVIOUS A-SHARE LISTING APPLICATION

We had historically explored the opportunity of establishing a capital market platform in the A-share market. We applied for listing of our Shares on STAR in December 2019, and voluntarily withdrew the STAR application in May 2020. See “History, Development and Corporate Structure — Previous A-share Listing Application” for further details.

USE OF PROCEEDS

Assuming an Offer Price of HK\$3.61 per Offer Share, we estimate that we will receive net proceeds of approximately HK\$64.1 million from the Global Offering after deducting the underwriting commissions and other estimated expenses in connection with the Global Offering and assuming that the Offer Size Adjustment Option is not exercised. In line with our strategies, we intend to use our proceeds from the Global Offering for the purposes and in the amounts set forth below:

- approximately 70.0% of the net proceeds, or HK\$44.8 million, will be used for expanding our production capacity in intelligent automotive vision in an effort to continue promoting its development, meeting customer demands, optimizing our regional layout and further increasing our market share.
- approximately 20.0% of the net proceeds, or HK\$12.8 million, will be used for technological innovation and product upgrades to continually improve our technologies, accelerate our R&D on cutting-edge technologies, optimize and expand our product pipeline and expand our R&D team.
- approximately 10.0% of the net proceeds, or HK\$6.4 million, as working capital and for general corporate uses to support our day-to-day business operations and growth.

See “Future Plans and Use of Proceeds.”

IMPACT OF COVID-19

The outbreak of the COVID-19 pandemic materially and adversely affected the global economy since the first quarter of 2020. Global container shipping operations faced disruptions, leading to constrained capacity and increased freight costs, which in turn adversely affected the volume of overseas purchase orders. Our revenue from sales overseas decreased by 16.7% from RMB329.6 million in 2021 to RMB274.6 million in 2022. While high-end lighting contributed to the majority of our overseas revenue in 2021 and 2022, revenue from high-end lighting decreased by 35.2% from RMB1,033.9 million in 2021 to RMB670.2 million in 2022, as our customers previously stocked up on LED devices and thus prioritized depleting existing inventory in 2022.

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Similarly, the utilization rate of our APT production base decreased from 93.0% in 2021 to 51.9% in 2022 as the actual production volume of LED devices decreased in response to the decreased market demand and orders overseas caused by COVID-19.

As the impact of the pandemic gradually subsided during the Track Record Period, revenue from our sales overseas increased by 2.4% from RMB274.6 million in 2022 to RMB281.3 million in 2023, and the utilization rate of our APT production base started to recover from 51.9% in 2022 to 54.6% in 2023. Revenue from our sales overseas increased by 24.7% from RMB108.8 million in the five months ended May 31, 2023 to RMB135.7 million in the five months ended May 31, 2024, and the utilization rate of our APT production base increased from 48.5% in the five months ended May 31, 2023 to 59.4% in the five months ended May 31, 2024.

Although decreased market demand and orders overseas caused by COVID-19 resulted in the lower utilization rate of our APT production base in 2022, our overall production activities had not been materially and adversely affected by the COVID-19 outbreak. During the Track Record Period and up to the Latest Practicable Date, we did not experience temporary closure or shutdown of our offices or production facilities or large-scale lockdowns in the areas or districts where we operated due to the COVID-19 pandemic. In response to the COVID-19 pandemic, we proactively communicated with our suppliers and strategically procured key raw materials, to ensure the normal operation of our production activities and our product delivery. We also actively engaged with our customers to alert them to potential logistical challenges and force majeure events, advising them to increase their inventory levels or planning for sufficient transportation time. In addition, we adjusted our staffing plans timely in line with business volumes, ensuring an efficient production arrangement across all departments and avoiding underutilization. Furthermore, we actively monitored government policies for COVID-19 mitigation and financial relief to ensure the stability of our operation and financial conditions. Although the implementation of prevention measures and constrained shipping capacity led to an increase in logistics expenses, we did not experience significant cost and fees increases as a result of COVID-19. In addition, although our high-end lighting business was impacted by COVID-19 in 2022, our total revenue increased from RMB1,388.4 million in 2021 to RMB1,410.6 million in 2022, due to the strong performance of our intelligent automotive vision and advanced display businesses. As a result, our Directors are of the view that the COVID-19 pandemic did not materially and adversely impacted our operations or financial conditions during the Track Record Period and up to the Latest Practicable Date.

However, there is no assurance that our operation, production activities or financial condition will not be affected in the future due to the COVID-19 pandemic or other natural disasters, health epidemics or outbreaks. See “Risk Factors — Risks Relating to Our Industry and Business — We face risks related to natural disasters, health epidemics and other outbreaks, which could significantly disrupt our operations.”

SUMMARY

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Our business operations continued to expand subsequent to the Track Record Period:

- ***Intelligent Automotive Vision:*** The sales volume of our intelligent automotive lamps increased from 312,811 sets in the nine months ended September 30, 2023 to 443,494 sets in the same period of 2024. The sales volume of our automotive-grade LED devices increased from 112.9 million pieces in the nine months ended September 30, 2023 to 196.1 million pieces in the same period of 2024. The sales volume of our automotive LED modules increased from 707.6 thousand pieces in the nine months ended September 30, 2023 to 993.3 thousand pieces in the same period of 2024.
- ***High-End Lighting:*** The sales volume of our high-end lighting devices increased from 2,455.4 million pieces in the nine months ended September 30, 2023 to 2,704.1 million pieces in the same period of 2024. The sales volume of our high-end lighting modules increased from 9.0 million bars in the nine months ended September 30, 2023 to 10.5 million bars in the same period of 2024.
- ***Advanced Display:*** The sales volume of our advanced display devices increased from 275.0 million pieces in the nine months ended September 30, 2023 to 480.7 million pieces in the same period of 2024. The sales volume of our advanced display modules increased from 38.2 million bars in the nine months ended September 30, 2023 to 45.4 million bars in the same period of 2024.

While we had sales growth, the average selling price of intelligent automotive lamps and high-end lighting products both decreased in the nine months ended September 30, 2024 which is expected to result in slower revenue growth compared to the increase in sales volume.

During the nine months ended September 30, 2024, we sold 529 types of intelligent automotive vision products, 3,425 types of high-end lighting products and 1,072 types of advanced display products. We further introduced 1,369 new products in the nine months ended September 30, 2024.

In addition, we have been expanding our production facilities to meet the evolving market demands for our products. As of the Latest Practicable Date, the automotive modules production line I had passed our acceptance and was undergoing testing; the automotive modules production line II was in the acceptance stage. Both are expected to commence operations in the second half of 2024. Once operational, these lines are anticipated to boost our annual production capacity by 3.84 million pieces of automotive LED modules. See “Business — Production — Production Expansion Plan.”

SUMMARY

Our Directors have confirmed that up to the date of this prospectus there has been no material adverse change in our financial or trading position or prospects since May 31, 2024 (being the date of our latest audited financial statements) and there has been no event since May 31, 2024 which would materially affect the information shown in the Accountants' Report of the Group set out in Appendix IA to this prospectus.

Pursuant to the Trial Administrative Measures on the Overseas Securities Offering and Listing of Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》), we have submitted a filing to the CSRC for application of listing of the H Shares on the Stock Exchange and the Global Offering on February 2, 2024. The CSRC confirmed our completion of filing on June 1, 2024. No other approvals from the CSRC are required to be obtained for the listing of the H Shares on the Stock Exchange.

GLOBAL OFFERING STATISTICS

	Based on an Offer Price of HK\$3.61 per H Share
Market capitalization of our Shares immediately after completion of the Global Offering ⁽¹⁾	HK\$1,920.9 million
Market capitalization of our H Shares immediately after completion of the Global Offering ⁽²⁾	HK\$899.3 million
Unaudited pro forma adjusted consolidated net tangible assets per Share ⁽³⁾	HK\$2.35

Notes:

- (1) The calculation of the market capitalization of our Shares is based on the assumption that 532,106,709 Shares will be in issue immediately upon completion of the Global Offering, assuming the Offer Size Adjustment Option is not exercised.
- (2) The calculation of the market capitalization of our H Shares is based on the assumption that 249,106,643 H Shares will be in issue immediately upon completion of the Global Offering (assuming the Offer Size Adjustment Option is not exercised), comprising 33,600,000 H Shares to be issued pursuant to the Global Offering and 215,506,643 H Shares to be converted from our Domestic Unlisted Shares.
- (3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated after making the adjustments referred to in the section headed "Appendix II — Unaudited Pro Forma Financial Information" in this prospectus.

DIVIDENDS AND DIVIDEND POLICY

Our Company is a joint stock company incorporated in the People's Republic of China with limited liability. The payment and amount of any future dividend depend on the availability of dividends received from our subsidiaries.

SUMMARY

During the Track Record Period, no dividend was declared or paid by the Company. Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

Any proposed distribution of dividends shall be formulated by our Board and will be subject to approval in our shareholders' meeting. A decision to declare or to pay any dividends in the future, and the amount of any such dividends, will depend on a number of factors, including our results of operations, cash flows, financial condition, payments by our subsidiaries of cash dividends to us, business prospects, statutory, regulatory and contractual restrictions on our declaration and payment of dividends and other factors that our Board may consider important. Over the next three years, we intend to adopt a dividend payout ratio of no less than 30% of our net profit of the year of dividend payment, according to our business operations and cash flow position, which is subject to the approvals of the Board and the shareholders' meeting. No dividend will be declared or payable except out of our profits and reserves lawfully available for distribution. There can be no assurance that dividends of any amount will be declared or distributed in any year.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commissions and other fees incurred in connection with the Global Offering. We estimate that our listing expenses will be approximately RMB52.3 million (at the Offer Price of HK\$3.61 per Offer Share and no exercise of the Offer Size Adjustment Option), representing 47.2% of the gross proceeds (based on the Offer Price of HK\$3.61 per Offer Share and assuming that the Offer Size Adjustment Option is not exercised) of the Global Offering. During the Track Record Period, we incurred listing expenses of RMB19.3 million, including RMB18.2 million recorded as administrative expenses and RMB1.1 million capitalized. We expect to incur listing expenses of approximately RMB33.0 million, of which approximately RMB19.4 million is expected to be recognized in the consolidated statements of profit or loss as administrative expenses and approximately RMB13.6 million is expected to be recognized as a deduction in equity directly upon the Listing. Our Directors do not expect such expenses to materially impact our results of operations in 2024. By nature, our listing expenses are composed of (i) underwriting commission of approximately RMB11.7 million and (ii) non-underwriting-related expenses of approximately RMB40.6 million, which consist of fees and expenses of legal advisors and the Reporting Accountant of approximately RMB25.5 million and other fees and expenses of approximately RMB15.1 million.