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## BUSINESS

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### OUR VISION

To become an industry-leading global tech company specializing in intelligent vision products and systems.

### OUR MISSION

Driving green and sustainable development with technological innovation and creating a better and more intelligent lifestyle with “LED+” technologies.

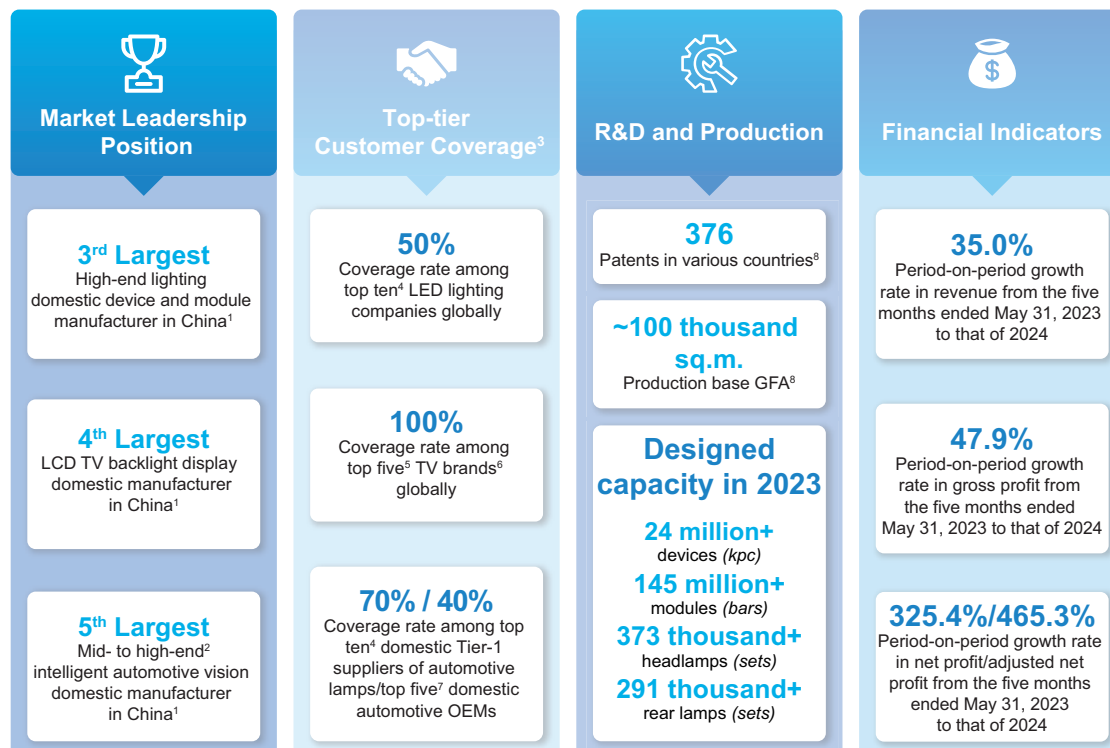
### OVERVIEW

#### Who We Are

We are a leading enterprise in China providing intelligent vision products and system solutions integrating “LED+” technologies. Our areas of expertise encompass intelligent automotive vision, high-end lighting and advanced display. Leveraging industry insights and forward-thinking technology strategies, we house a broad array of “LED+” technologies that integrate LED technologies with integrated circuits (ICs), electronic control, software, sensors, optics and others. Our green, 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 in 2023, 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. 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. We ranked fourth among both domestic and all manufacturers in China’s LCD TV backlight display industry. 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.

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The chart below illustrates the key indicators of our operating and financial performance.



*Notes:*

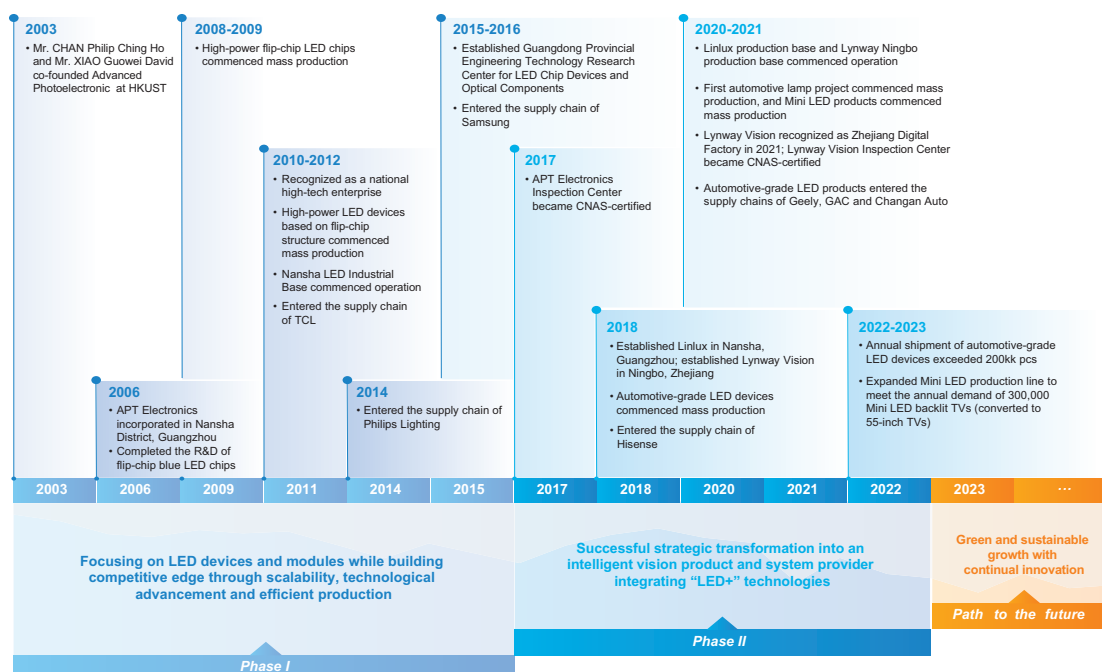
1. Measured based on the revenue for the year ended December 31, 2023. High-end lighting products and LCD TV backlight display products refer to devices and modules used in their respective application scenarios. Mid- to high-end intelligent automotive vision products refer to intelligent automotive vision products equipped on mid- to high-end vehicles.
2. Mid- to high-end vehicles refer to models with an average MSRP higher than RMB150,000, which is in line with the industry norm. According to CIC, the categorization of the passenger vehicles relies on the consensus of industry participants as there were no relevant regulations or standards in China as of the Latest Practicable Date.
3. The top-tier customer coverage rate is the proportion of the number of top-tier customers, with whom we established business relationships, to the number of top-tier enterprises in the industries in which they operate, which is in line with the industry norm. According to CIC, the determination of top-tier customers relies on the consensus of industry participants as there were no relevant regulations or standards in China as of the Latest Practicable Date.
4. In terms of revenue in 2023.
5. In terms of product shipment in 2023.
6. The global LCD TV industry is highly concentrated with top five LCD TV brands taking up an aggregated market share of 61.6% in terms of TV shipments in 2023.

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7. In terms of wholesale volume in 2023.
8. As of the Latest Practicable Date.

## Our Roadmap

Since our inception, driven by the vision to become an industry-leading global tech company specializing in LED intelligent vision products and systems, we have been committed to optimizing, innovating and developing in a green and sustainable way. The diagram below illustrates the key stages of our development.



***Phase I: focusing on LED devices and modules while building competitive edge through scalability, technological advancement and efficient production***

Our entrepreneurial philosophy, proprietary technology and founding team originated from Advanced Photoelectronic, a company founded in 2003 and developed with the support of the Hong Kong University of Science and Technology (HKUST) during its initial phase. In 2006, we established APT Electronics in Nansha District, Guangzhou, where we later integrated the key assets and technologies of Advanced Photoelectronic.

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We are one of the first companies in China to commence mass production of high-power flip-chip LED products, according to CIC. From our inception to 2010, our primary focus was on the R&D, production and sales of high-power flip-chip LED chips. From 2010, we pivoted our business focus from LED chips to LED devices. Leveraging our previously accumulated flip-chip LED technology, we continually iterated core technologies in flip-chip LED packaging, white LED packaging and integrated packaging, while rapidly enhancing production capabilities.

Starting in 2014, we expanded to the R&D, production and sales of LED modules, based on self-developed LED devices while integrating electronic design and structure as well as optical system technologies.

During the first phase of development, we focused on rapidly expanding LED device and module business. This phase, characterized by the development of core foundational technologies, the enhancement of innovative capabilities and the strengthening of large-scale, efficient production capabilities, allowed us to establish a strong competitive edge from an early stage.

***Phase II: successful strategic transformation from a traditional LED manufacturer to an intelligent vision product and system provider integrating advanced “LED+” technologies***

In 2017, we commenced the second phase of our development. Leveraging our deep understanding of the LED market as well as the self-innovation and technology iteration capabilities of our core team, we transformed from a traditional LED manufacturer to an intelligent vision product and system solution provider, integrating “LED+” technologies, giving us significant early-mover advantage in our continued development. Our business spans across intelligent automotive vision, high-end lighting and advanced display.

Notably, we identified the shifts in China’s automotive lighting industry early in 2017. Automotive lamps have evolved beyond their traditional role as simple illumination systems, becoming intelligent visual systems for vehicles that seamlessly integrate information perception, interaction and driving assistance. In response to these shifts, in 2018, we established Lynway Vision (領為視覺), a then joint venture with Geely Holding, thereby expanding into the field of intelligent automotive vision. The traditional automotive lighting products centered on machining, injection molding and optical components. Through the integration of ICs, electronic control, software, sensors, optics and others, we transformed automotive lighting products and elevated their intelligence level in automotive lighting.



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In addition, we achieved vertical integration in industry value chains of intelligent automotive vision business, ranging from devices and modules to automotive lamps, setting us apart from traditional manufacturers of LED devices and modules as well as LED automotive lamp suppliers. This strategy enables us to swiftly adopt cutting-edge technologies in the industry and promptly meet the cost reduction objectives and customization requirements of downstream automotive OEMs. We can therefore offer cost-effective, one-stop and local solutions for LED intelligent automotive vision systems, highlighting our core competitiveness in this field.

The aforementioned two phases laid a solid foundation for the up-and-coming third phase of our development.

***Path to the future: accelerating innovation in LED intelligent vision products and systems while advocating for green and sustainable growth***

As the LED intelligent vision industry in China embarks on a new development phase, our focus is on catering to the technological innovation needs in intelligent automotive vision, high-end lighting and advanced display applications. Particularly, with the rise of autonomous driving and intelligent vehicles, the landscape of intelligent automotive vision products and systems is undergoing significant transformation. We are dedicated to integrating ICs, electronic control, software, sensors, optics and others, with LED intelligent automotive vision products. This strategy aims to advance our products towards enhanced intelligence, integration and systematization. Our focus therefore is on advancing products including high-pixel intelligent headlamps (DLP/Micro LED), autonomous driving indicators and interaction systems, head-up displays (HUD) and intelligent automotive lamp systems integrated with lidar. Through strategic planning, we are committed to fostering the evolution of high-end lighting products and advanced display technologies, thereby stimulating the business growth. Specifically, we plan to focus on developing advanced display products with high contrast, high resolution and high color gamut, which significantly enhance the display effect of LCDs.

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 global tech company that is driven by technological innovation and empowered by system development capabilities.

We believe that technological innovation is critical to enhancing future lifestyles. With continual innovation in "LED+" technologies and products, we strive to promote green and sustainable development in the industry.

### **Our Industry**

According to CIC, the LED intelligent vision industry has a substantial global market size of USD192.0 billion in terms of revenue in 2023. China 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 market for low- to mid-end products is characterized by intense competition, making cost reduction and efficiency improvement the primary drivers for industry growth. Conversely, the market for high-end products demands that manufacturers possess robust technical strengths and innovation capabilities, which leads to significant technical barriers and shifts the competitive focus towards technological leadership, as well as product quality and performance, demonstrating room for higher profit margins. 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 and highly promising market segments in the industry, with the largest room for technological advancement and the greatest potential for development.

### ***Intelligent Automotive Vision***

Intelligent automotive vision products and systems are widely applied in both EVs and ICE vehicles, and thus their development are influenced by the overarching trends within the automotive industry. Specifically, the automotive industry's evolution towards intelligence and new energy catalyzed a transformation towards intelligent, integrated and customized automotive lamps, which is expected to reshape the ecosystem and competitive landscape of the LED automotive lamp industry. The robust growth of China's passenger vehicle market established a solid foundation for the growth of LED automotive lamp sales. Particularly, the significant growth of EVs in China, coupled with their heightened requirements for the intelligence and connectivity in lighting systems, boosted sales of intelligent automotive vision products and spurred technological advancements in the intelligent automotive vision industry. The industry's ongoing shifts towards intelligence and new energy accelerate the evolution of LED automotive lamp products towards greater intelligence, integration and customization. This significantly increased both the quantity and the value of lamps on each individual vehicle, boosting the further growth of the LED automotive lamp industry. Within this evolving landscape, emerging manufacturers have the opportunity to quickly penetrate the market and establish competitive edges. Leveraging innovative technology and strategic product positioning, they bring changes to the industry competition dynamics.

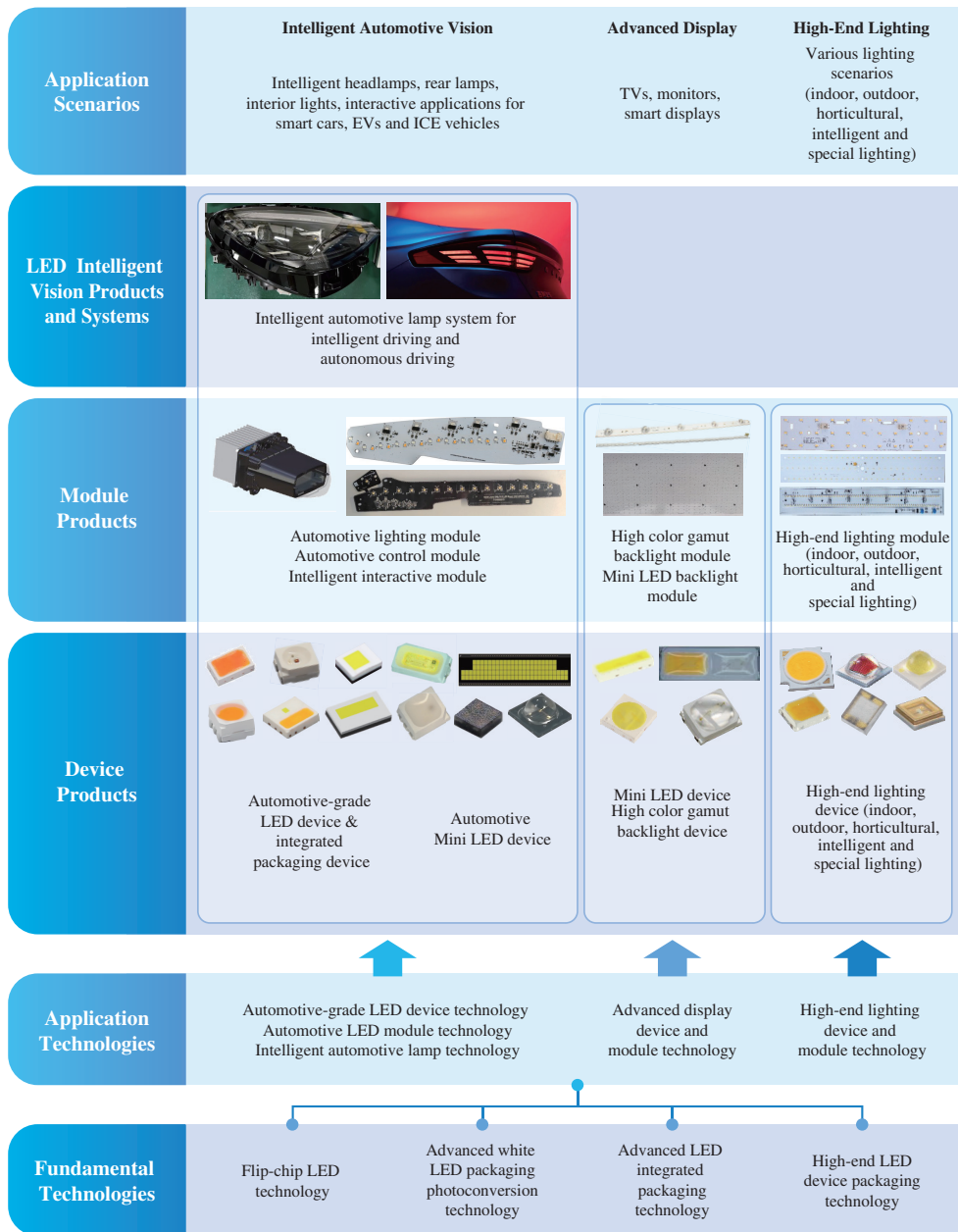
### *High-End Lighting*

High-end lighting, including outdoor lighting, intelligent lighting and special lighting, emerged as a high-potential market. Within the lighting industry, competition among low-end, low-value, low- to medium-power LED devices is exceptionally intense. With the rapid development of LED lighting, consumer demand evolved beyond basic illumination needs. As a result, LED lighting is now progressing towards specialized solutions that also offer health benefits, such as full-spectrum products featuring eye protection functions and intelligent solutions that integrate functions such as dimming, color adjustments and intelligent light control. High-end and high-performance LED devices feature high color rendering index (CRI), high luminous efficacy and high-reliability. They are applied in outdoor lighting, horticultural lighting and intelligent dimming solutions, and continue to iterate. While large international corporations traditionally dominated the high-end, high-performance LED device market, in recent years, as domestic LED manufacturers improving their product performance, they sparked a trend towards domestic substitution, steadily capturing a larger market share.

### *Advanced Display*

As LED technologies evolve, the advanced display sector is experiencing rapid growth, marked by swift product iterations. In 2023, the market size of advanced display in China in terms of revenue increased to RMB205.4 billion, and is expected to reach RMB296.2 billion in 2028. Following years of development, the traditional backlight display market reached a stable state. Meanwhile, there is a significant rise in consumer expectations for features such as color saturation, color reproduction and contrast level in televisions. Advanced backlight display products with high contrast, high resolution and high color gamut greatly promote the display effect of LCDs. The emergence of new technologies such as local dimming and Mini LED provides opportunities for companies with technological R&D capabilities. These technologies are now viewed as the key drivers for the iterations of advanced display products. In the coming years, as these technologies mature and commercial costs decrease, technological innovation is expected to fuel the growth of the advanced display industry.

Our Key Products and Technologies



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 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.

Leveraging our advanced fundamental technologies, we focus on developing key application technologies for LED devices, modules and intelligent automotive vision products and systems that are specifically tailored to emerging LED application scenarios. Based on our LED technology, we extend our focus to enhancing key application features regarding electronic design, software, control algorithms, optics, mechanical and thermal dissipation structure design, as well as vision and sensing integration. In terms of automotive lighting applications, we developed automotive-grade LED device technology, automotive module technology and intelligent automotive lamp technology. By integrating key application technologies across devices, modules and systems, we provide reliable intelligent automotive vision products and systems including automotive-grade LED devices, modules and intelligent lamps and systems, all designed to enhance intelligent driving experience.

In high-end lighting, we developed device and module technologies for specialized applications such as high-end outdoor lighting, horticultural lighting and intelligent lighting. Our products feature high light quality, health-conscious design, high luminous efficacy, special spectrum and intelligent dimming functions. In terms of advanced display, we developed advanced display backlight device and module technologies, which led to further improvements in high color gamut, high color uniformity, high light biological safety, high power and high reliability in applications. In recent years, we have focused on the development of Mini LED backlight technologies. According to CIC, our Mini COB technology is at an industry-leading level.

Based on the above fundamental technologies and key application technologies, our main LED intelligent vision product and system solution offerings and development focuses are as follow:

- ***Intelligent automotive vision:*** our intelligent automotive vision products primarily include headlamps, rear lamps and interior lights that are integrated with electronic components, optical parts, heat dissipation components, structural pieces and connectors, as well as high-power LED devices and modules for headlamps (such as ADB modules) and low- to medium-power LED devices and modules for rear lamps and interior lights. We are developing a wide range of intelligent automotive vision products and systems, including intelligent ADB automotive lamps with ten-thousand-level pixel capacity,

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intelligent interactive rear lamps, automatic driving indicators and interaction systems, intelligent automotive lamp systems integrated with lidar, intelligent cockpit and customized ambient lights, as well as HUD, among others.

- ***High-end lighting:*** our high-end lighting products primarily include high-end lighting devices and modules. Our high-end lighting devices are distinguished by high luminous efficacy, high light quality, high CRI and high brightness. Our high-end lighting modules are characterized by high luminous efficacy, high color consistency, simple assembly and intelligent dimming functions. These features make our high-end lighting products suited for a range of applications, including indoor lighting, outdoor lighting, horticultural lighting, intelligent lighting and special lighting.
- ***Advanced display:*** our advanced display products primarily include LED devices and modules that are applied to direct-lit or edge-lit LED backlight for LCD TVs. Characterized by high brightness, high color gamut, uniform light color, high power and low thermal resistance, our advanced display products meet diverse specifications and application needs, including slim design, narrow bezel, large size and dynamic dimming.

### OUR STRENGTHS

#### Leading Solution Provider of LED Intelligent Vision Products and Systems in China

According to CIC, in terms of revenue in 2023, 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. 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. We ranked fourth among both domestic and all manufacturers in China's LCD TV backlight display industry. Since our inception, we have targeted the high-value, high-growth mid-to high-end LED market, and our comprehensive strategies encompass development in sectors such as intelligent automotive vision, high-end lighting and advanced display, reinforcing our industry-leading positions. Leveraging our technological prowess, production capabilities, dedicated team, industry vertical integration strategy and customer resources, we commenced a strategic transformation in 2017. We thus positioned ourselves at the forefront of this emerging market and rapidly achieved a comprehensive layout across the entire supply chain. During the Track Record Period, revenue from intelligent automotive vision experienced rapid growth, amounting to RMB74.3 million, RMB399.7 million, RMB771.0 million, RMB225.7 million and RMB365.4 million in 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, respectively. Moving forward, we expect to continue focusing on intelligent automotive vision, high-end lighting and advanced display businesses, while exploring opportunities in emerging application fields.

### **Vertical Integration of Industry Value Chain**

In intelligent automotive vision, high-end lighting and advanced display, we can directly supply our products in the form of LED devices or modules to lighting and TV brands, or in the form of automotive lamps to automotive OEMs. This approach facilitates the vertical integration of our product development and manufacturing processes across various application scenarios. We acquired technological and market insights through collaborations with upstream suppliers such as Epistar Corporation and downstream customers such as Geely Holding and its related automotive OEMs. Such collaborations across the supply chain not only enhance transaction and manufacturing efficiency, but also allow our products to better cater to customer needs and accelerate product upgrades and improvements, thereby enhancing our competitive edge.

Notably, according to CIC, we are one of the first automotive lamp suppliers in China to achieve vertical integration along the industry value chain, extending from automotive-grade LED devices and modules to intelligent lighting systems. Our vertical integration capabilities enable us to promptly identify customer needs and product development trends, simulate collaborative innovation in advanced technologies and products and streamline the R&D chain of LED devices-modules-systems. The R&D cycle for our advanced products is thereby shortened considerably, which facilitates precise development, swift verification, rapid technology iteration and fast mass production. For instance, through our internal collaborative development, we designed and mass-produced the rear lamps for Geely's "Haoyue L" (also known as "OKAVANGO L") model in just six months, which significantly outpaced the industry norm of at least 12 months, showcasing our commitment to efficiency and innovation. Leveraging our in-house developed and manufactured automotive-grade LED devices, modules and automotive lamps, we effectively managed the cost of our products and therefore maintained their pricing competitiveness. Moreover, intelligent automotive lamp manufacturers must pass long-term reliability tests that generally last for 12 to 18 months for their LED products to be deemed suitable for automotive-grade applications. They are also required to present prior cases of mass production before qualifying as suppliers for automotive OEMs. The successful penetration of our intelligent automotive lamps into the automotive OEM's supply chain paved the way for the broader application of our LED devices and modules.

In our high-end lighting and advanced display businesses, we supply LED devices and modules tailored to customer specifications. Our venture into R&D, sales and production of LED devices and modules is built on our advanced fundamental technologies, laying a solid foundation for delivering one-stop solutions to the downstream lighting and TV companies. Our dedication to the R&D of LED devices, drivers, intelligent control systems, optical design, formulations, thermal management and production processes positioned us to supply high-end lighting customers with tailored LED solutions directly. In the meantime, we offer systematic solutions that span from LED placement, PCB and optical design to the packaging process, driving IC designs and local



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dimming control solutions, meeting the needs of customers in the advanced display business. Our operational framework by integrating R&D, design and production, promotes rapid innovation, synergistic operation and cost-efficiency.

Furthermore, the application scenarios of LED intelligent vision products and systems, namely intelligent automotive vision, high-end lighting and advanced display, each has unique market cycles and industry trends. Through strategic planning and operation, we are able to establish multiple growth trajectories, which allow us to maintain a consistent level of purchase orders and production pace overall, amidst fluctuations in any individual application market, thereby enhancing our resilience to market risks and volatility.

### **Robust Technological Expertise and Advanced R&D Capabilities**

We are one of the first enterprises in China that mastered the flip-chip LED technology, according to CIC. This technology, which is central to our operations, offers many advantages, including a broad power range, superior cost-effectiveness for high-power applications, a low working voltage, as well as high reliability. The flip-chip LED technology encompasses a variety of subsidiary technologies. Based on such technologies, we developed a diverse range of products, including ceramic-based high-power LED products for streetlights, tunnel lights, and automotive headlamps, leadframe-based flip-chip LED products for high-efficacy lighting and high-current driven backlight products, as well as horticultural lighting LED products, Mini LED products and other high-end application products. See “— Research and Development — Our Technologies.” Underpinned by our core team’s capabilities in self-innovation and technology iteration and through years of technological accumulation, we developed a series of technologies, including fundamental technologies such as flip-chip LED technology, advanced white LED packaging photoconversion technology, advanced LED integrated packaging technology, and high-end LED device packaging technology, and application technologies such as automotive-grade LED device technology, automotive module technology, intelligent automotive lamp technology, advanced display device and module technology and high-end and special lighting device and module technology. The technologies create strong synergies when incorporated into different applications. As of the Latest Practicable Date, we had 376 patents in various countries, establishing a robust technological edge.

We have been recognized as a national high-tech enterprise since 2011, and a specialized, refined, distinctive and innovative SME in Guangdong Province in 2023. We have an R&D center recognized at Guangdong provincial level and Guangzhou municipal level, as well as two CNAS-certified laboratories, namely the APT Electronics Inspection Center and Lynway Vision Inspection Center. In March 2020, our advanced flip-chip LED technology was recognized as being at an international leading level, and advanced flip-chip LED integrated packaging technology as well as our advanced flip-chip white LED packaging photoconversion technology



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were recognized as international advanced level by Guangdong Guoping Science & Technology Achievement Evaluation Co., Ltd. (GSTA), an independent professional service organization specializing in the evaluation of scientific and technological achievements.

### **Top-Tier Global Customer Base**

With our exceptional R&D capabilities and consistent product quality, we fostered a solid customer base. Our strong industry reputation and recognition enable us to build lasting relationships with customers. Our customers and end users include top-tier international lighting companies such as Signify (formerly known as Philips Lighting), Samsung, Panasonic and Toyota Gosei, as well as well-known TV brands such as Hisense (海信), TCL, Skyworth (創維), Changhong (長虹), LG and Samsung. The intelligent automotive vision market has high entry barriers, due to the rigorous technical development, significant equipment investment and high system certification thresholds for automotive-grade devices, modules and automotive vision products and systems. Despite the challenges, our strategic expansion enables us to collaborate 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.

### **Large-Scale Lean Manufacturing and Information Technology-Driven Production**

With over 15 years of extensive and in-depth research on the materials, structures and processes of LED products, we are committed to ensuring long-term reliability of our products and satisfying the demands of customers for high-quality and high-end applications. 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, focusing on LED devices, modules and intelligent automotive lamps, respectively, offering robust capacity.

Through our effective and comprehensive IT systems such as ERP, MES, PLM, SRM and WMS, we achieved a high degree of informatization and digitalization in management. This has not only ensured the smooth operation of our daily business activities but also enhanced the efficiency and reliability of our products. Our commitment to maintaining high standards in our operations is evidenced by a series of certifications including ISO9001 Quality Management, ISO14001 Environmental Management, OHSAS18001 Occupational Health and Safety Management and IATF16949 Automotive Industry Quality Management. This commitment to excellence led to Lynway Vision's recognition as a "Zhejiang Digital Factory" by the Zhejiang

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provincial government, further solidifying our reputation in the industry. Our robust mass production technology and processes, together with a comprehensive quality management system, help ensure product yield, efficiency, consistency and reliability. This strong foundation enables us to position our products effectively in the mid- to high-end market and to provide long-term service to our customers.

### **Insightful, Dedicated and Experienced Management**

Our co-founder, chairperson of the Board and chief strategic officer, Mr. XIAO Guowei David, a professorate senior researcher in optoelectronic technology, has more than 25 years of professional experience in advanced semiconductor packaging, microelectronics manufacturing process, optoelectronic semiconductors, materials and reliability analysis. He serves as the vice president of the China Solid State Lighting Alliance and the president of the Guangdong Illuminating Engineering Society. In addition, he was awarded the title of Honorary Citizen of Guangzhou in 2021. Mr. CHAN Philip Ching Ho, our co-founder and Director, is a distinguished leader in the semiconductor field with more than 50 years of academic research and industrial application experience. He is a fellow of the Institute of Electrical and Electronics Engineering and serves as a member of the Committee on Innovation, Technology and Re-industrialization of the Government of Hong Kong as well as a professor emeritus at the Hong Kong Polytechnic University. Mr. Chan's illustrious career includes positions he held as the dean of the School of Engineering at the HKUST and the deputy president and provost of the Hong Kong Polytechnic University, a director of the Hong Kong Applied Science and Technology Research Institute. He was qualified as a fellow of the Hong Kong Academy of Engineering Sciences and was awarded the Bronze Bauhinia Star by the Hong Kong Government in Hong Kong in 2013.

Our president, Mr. HOU Yu, and vice president, Mr. ZENG Zhaoming both have more than 20 years of experience in the semiconductor and optoelectronic industries and were selected for the Guangzhou High-end Foreign (Overseas) Expert Recruitment Program and recognized as Industrial Leading Talent (leading talent in innovation) and Guangzhou High-Caliber Talent (Excellent Expert), respectively. Their extensive expertise encompasses R&D, manufacturing and operation management, providing a wealth of knowledge and leadership to our organization. We have a robust and stable management team, strengthened by an R&D team of 337 highly educated professionals with doctorates and master's degree holders at its core. Our core management team, known for its pragmatic and diligent approach, possesses a profound comprehension of the LED industry and technology and a discerning understanding of market demand.

The insight of our management has been decisive in our development. Led by our core management team, we have strategically transformed from a traditional LED manufacturer to an intelligent vision product and system provider that integrates advanced "LED+" technologies,

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giving us significant early-mover advantage in our continued development. By generating substantial value for our customers and fostering better development prospects for our employees, we laid a solid foundation for our sustainable growth in the future.

### **OUR STRATEGIES**

#### **Expand into High-Growth Sectors through Technological Innovations**

We are committed to the continual innovation in LED intelligent vision products and system solutions, including intelligent automotive vision, high-end lighting and advanced display products and systems, to maintain our industry-leading positions. Our focus is on the development of intelligent automotive vision products and systems, targeting mainstream automotive OEMs both domestically and internationally, while expanding our market shares in the high-end lighting and advanced display markets. We believe that our profound industry knowledge and technological development will enable us to further penetrate the high-growth LED intelligent vision product and system market. Leveraging our proprietary technologies, products and service advantages, we plan to continue to explore new product applications.

#### **Prioritize “LED+” Innovation to Drive Technological Breakthroughs**

We remain dedicated to building the “LED+” core technology system as we continue to accelerate the R&D of cutting-edge technologies, ensuring we stay at the forefront of technological advancement. We believe that autonomous driving and intelligent vehicles will revolutionize the LED intelligent automotive vision industry. As a result, we will continue to integrate LED intelligent automotive vision products and systems with ICs, sensors, electronic control, software and optics for a more intelligent, integrated and systematic development. By staying attuned to market demand, we plan to strategically deploy technologies of sensors, lidars and controllers. Our continual investment in the R&D of pioneering technologies and products are expected to help ensure we maintain our competitive edge.

#### **Enhance Vertical Integration of Industry Value Chain**

We plan to continue to focus on enhancing our vertical integration capabilities and streamline the R&D chain of “LED devices-modules-systems.” Our commitment to precise product positioning, efficient R&D, swift verification, rapid iteration of technologies and products and accelerated mass production will streamline the development cycle for cutting-edge products and expedite product verification. By minimizing intermediary steps in the production of devices and modules, we aim to further enhance product competitiveness. This strategy is also expected to strengthen our resilience against market volatility by creating diversified growth trajectories.

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### **Improve Lean Manufacturing and Intelligent Production System**

Dedicated to a “quality first” strategy, we aim to establish a leaner, larger-scale, more automated and digitalized production control system to enhance our scale effect. We plan to strengthen our quality control and management systems, striving towards the comprehensive development of digital intelligent production bases. This strategy is expected to elevate our quality management standards and boost the level of digitalization in our operations and production processes.

### **Adapt to Market Dynamics and Expand Production Capacity**

During the Track Record Period, our intelligent automotive vision business experienced significant growth. Looking forward, we plan to bolster this business by expanding our product lines and corresponding production capacity to meet customer demands, and to increase market share. We also plan to expand the production capacity of our high-end lighting and advanced display businesses promptly based on changes in market demand.

### **OUR PRODUCTS**

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.

In 2023, we sold 568 types of intelligent automotive vision products, 2,937 types of high-end lighting products and 1,009 types of advanced display products. During the five months ended May 31, 2024, we sold 415 types of intelligent automotive vision products, 1,656 types of high-end lighting products and 771 types of advanced display products. In 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, we introduced 1,220, 1,144, 1,653, 625 and 590 new products, respectively.

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The table below sets forth the details of our main products by category.

<u>Main category</u>	<u>Sub-Category</u>	<u>Characteristics</u>
Intelligent automotive vision	Intelligent automotive lamps	Intelligent automotive lamps integrate electronic components, optical parts, heat dissipation components, structural pieces and connectors. These components, based on specific forms and functions, can be further assembled into various types of intelligent automotive lamps, including headlamps, rear lamps and interior lights.
	Automotive-grade LED devices and modules	Automotive-grade LED devices and modules primarily include high-power LED devices and modules for headlamps and low- to medium-power LED devices and modules for rear lamps and interior lights. The high-power LED devices and modules for headlamps are known for high brightness and reliability, and the low- to medium-power LED devices and modules for rear lamps and interior lights are known for high reliability and flexibility in design and application. Our automotive LED modules mainly include PCBA modules that integrate LED devices, connectors and electronic components and lens modules for automotive headlamps that consist of light source, drivers and control circuits, lenses and reflectors.
High-end lighting	High-end lighting devices	High-end lighting devices are incorporated into a variety of lighting applications such as tubes, bulbs, spotlights and panel lights. Featuring high luminous efficacy, high light quality, high CRI and high brightness, our high-end lighting devices are primarily applied in specialized lighting scenarios such as indoor lighting, outdoor lighting, horticultural lighting, intelligent lighting and special lighting.

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<u>Main category</u>	<u>Sub-Category</u>	<u>Characteristics</u>
	High-end lighting modules	High-end lighting modules integrate LED devices, optical components, electronic drivers, circuit control and protection, PCBs and connectors, forming module products featured high luminous efficacy, high color consistency, simple assembly and the functions of intelligent dimming, thus meeting the needs for intelligent and specialized lighting applications.
Advanced display		Advanced display products mainly include LED devices and modules that can be applied to direct-lit or edge-lit backlight products, such as LCD televisions and monitors. Specifically, our advanced display modules integrate LED devices or LED chips, driver ICs, optical lenses and electric components on the PCBs, forming PCBAs that combine optical, thermal and electrical designs. Characterized by high brightness, high color gamut, uniform light color, high power and low thermal resistance, our advanced display products meet diverse specifications and application needs, including slim design, narrow bezel, large size and dynamic dimming.

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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>									
<b>Intelligent automotive vision</b> . . . . .	<b>74,251</b>	<b>5.3</b>	<b>399,674</b>	<b>28.3</b>	<b>770,973</b>	<b>41.5</b>	<b>225,676</b>	<b>36.1</b>	<b>365,445</b>	<b>43.4</b>
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
<b>High-end lighting</b> . . . . .	<b>1,033,857</b>	<b>74.5</b>	<b>670,242</b>	<b>47.5</b>	<b>650,821</b>	<b>35.0</b>	<b>253,630</b>	<b>40.6</b>	<b>254,103</b>	<b>30.1</b>
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
<b>Advanced display</b> . . . . .	<b>280,272</b>	<b>20.2</b>	<b>340,716</b>	<b>24.2</b>	<b>436,238</b>	<b>23.5</b>	<b>145,311</b>	<b>23.3</b>	<b>223,645</b>	<b>26.5</b>
<b>Total</b> . . . . .	<b>1,388,380</b>	<b>100.0</b>	<b>1,410,632</b>	<b>100.0</b>	<b>1,858,032</b>	<b>100.0</b>	<b>624,617</b>	<b>100.0</b>	<b>843,193</b>	<b>100.0</b>

	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>									
<b>Intelligent automotive vision</b> . . . . .	<b>(846)</b>	<b>(1.1)</b>	<b>70,061</b>	<b>17.5</b>	<b>115,240</b>	<b>14.9</b>	<b>23,077</b>	<b>10.2</b>	<b>56,084</b>	<b>15.3</b>
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
<b>High-end lighting</b> . . . . .	<b>202,348</b>	<b>19.6</b>	<b>128,768</b>	<b>19.2</b>	<b>152,429</b>	<b>23.4</b>	<b>57,400</b>	<b>22.6</b>	<b>62,973</b>	<b>24.8</b>
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
<b>Advanced display</b> . . . . .	<b>26,776</b>	<b>9.6</b>	<b>36,356</b>	<b>10.7</b>	<b>71,342</b>	<b>16.4</b>	<b>23,793</b>	<b>16.4</b>	<b>35,189</b>	<b>15.7</b>
<b>Total</b> . . . . .	<b>228,278</b>	<b>16.4</b>	<b>235,185</b>	<b>16.7</b>	<b>339,011</b>	<b>18.2</b>	<b>104,310</b>	<b>16.7</b>	<b>154,246</b>	<b>18.3</b>

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## BUSINESS

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### **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. In 2017, we obtained the IATF16949 certification, which is a certification required for all manufacturers and associated enterprises of automotive-grade products to ensure their reliability. During the Track Record Period, our revenue from intelligent automotive vision increased significantly from RMB74.3 million in 2021 by 438.0% 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 intelligent automotive vision products are further categorized into intelligent automotive lamps and automotive-grade LED devices and modules, where intelligent automotive lamps were the key driver for the robust growth of intelligent automotive vision during the Track Record Period. In 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, revenue from intelligent automotive lamps accounted for 68.3%, 88.0%, 91.8%, 93.7% and 90.7%, respectively, of our total revenues from intelligent automotive vision.

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. See “— Sales and Marketing — Relationship with Geely Related Group.” 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. See “Risk Factors — Risks Relating to Our Industry and Business — We are exposed to customer concentration risk” and “Connected Transactions — Non-Exempt Continuing Connected Transaction (Subject to Reporting, Annual Review, Announcement and Independent Shareholders’ Approval Requirements).”

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. As the functionality of intelligent automotive lamps depends substantially on the performance and reliability of automotive-grade LED devices and modules, the certifications and approvals obtained from these automotive OEMs and Tier-1 suppliers greatly enhanced our prospects for capturing more market opportunities. Pursuant to our strategic development plan, we



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are vigorously expanding our customer base by engaging in negotiations with multiple leading domestic and international automotive OEMs and by participating in their supplier qualification audits. Notably, Lynway Vision passed the supplier qualification audits conducted by a leading smart EV brand and a top automobile brand in South China in 2021 and 2022, respectively, followed by another top automobile brand in East China in 2023. These milestones set a solid foundation of securing intelligent automotive lamp projects in the following years. We aim to secure one design win from the top automobile brand in South China in the second half of 2024 and another design win from the top automobile brand in East China in late 2024 or early 2025. As of the Latest Practicable Date, we made steady progress in accordance with our plan. We engaged in detailed discussions for a specific project prior to securing design win with the top automobile brand in South China. Additionally, we were in frequent communication with the top automobile brand in East China to identify the target project.

### *Intelligent Automotive Lamps*

The intelligent automotive lamps designed, developed, produced and sold by Lynway Vision are the centerpiece of our intelligent automotive vision product matrix. Intelligent automotive lamps, based on functions and applications, mainly include headlamps, rear lamps and interior lights. Our intelligent automotive lamps can be applied in both EVs and ICE vehicles, and thus their development are influenced by the overarching trends within the automotive industry. In line with the growing trend of automotive intelligence, intelligent automotive lamps are evolving towards higher-end, smarter and more customized solutions. This evolution is manifested in the iterative improvements in the form and light source of headlamps and rear lamps as well as the broader coverage and enhanced smart features of interior lights. As a result, the overall value of intelligent automotive vision products increased significantly, and we developed our intelligent automotive lamp product matrix in line with such trends.

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. Automotive-grade products, due to their critical role in vehicle safety, are governed by stringent regulations established by government agencies, industry regulators and automotive OEMs. As a result, automotive-grade products are subject to more stringent standards across R&D, manufacturing and sales compared to their non-automotive-grade counterparts. For automotive lamps, supplier candidates are expected to have sufficient R&D technical resources to conduct automotive lamp development alongside the new vehicle model development phase. Supplier candidates actively engage in the R&D stage of automotive lamp projects by performing a comprehensive feasibility analysis on the lamp designs provided by automotive OEMs. This analysis should thoroughly evaluate the manufacturability of the automotive lamps, the

## BUSINESS

implementation of customized lighting functions and display features as well as compliance with the regulations applicable in various regions, ensuring seamless integration with the vehicle and satisfaction of customer requirements. According to CIC, it is rare in the industry for automotive OEMs to switch automotive lamp manufacturers when commencing mass production, due to the extensive involvement of the manufacturers in the overall vehicle development phase. As a result, supplier candidates are expected to have comprehensive control over the production process, ensuring product quality, traceability and steady supply throughout the life cycle of the vehicle model. They should also be able to respond quickly, meeting demands in a timely manner with adequate personnel, qualified suppliers and working environment.

As of May 31, 2024, Lynway Vision secured 22 intelligent automotive lamp projects. 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 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.

The following table sets forth a breakdown of revenue and gross margin by intelligent automotive lamp for the periods indicated:

	Year ended December 31,									Five months ended May 31,					
	2021			2022			2023			2023			2024		
	Revenue	% of Revenue	Gross Margin	Revenue	% of Revenue	Gross Margin	Revenue	% of Revenue	Gross Margin	Revenue	% of Revenue	Gross Margin	Revenue	% of Revenue	Gross Margin
	<i>(RMB in thousands, except percentage)</i>									<i>(unaudited)</i>					
Intelligent automotive lamps															
Headlamps . . . . .	15,822	31.2	(4.9)	250,023	71.1	19.7	535,311	75.6	14.7	168,819	79.8	9.6	202,397	61.1	16.5
Rear lamps . . . . .	34,910	68.8	(1.3)	101,770	28.9	10.7	172,634	24.4	11.7	42,732	20.2	7.0	128,958	38.9	7.7
<b>Total . . . . .</b>	<b>50,732</b>	<b>100.0</b>	<b>(2.4)</b>	<b>351,792</b>	<b>100.0</b>	<b>17.1</b>	<b>707,945</b>	<b>100.0</b>	<b>13.9</b>	<b>211,551</b>	<b>100.0</b>	<b>9.0</b>	<b>331,355</b>	<b>100.0</b>	<b>13.0</b>

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The following table sets forth a breakdown of the sales volume and average selling price by intelligent automotive lamp for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2021		2022		2023		2023		2024	
	Average Sales Volume	Average Selling Price	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price
	<i>(set)</i>	<i>(RMB)</i>	<i>(set)</i>	<i>(RMB)</i>	<i>(set)</i>	<i>(RMB)</i>	<i>(set)</i>	<i>(RMB)</i>	<i>(set)</i>	<i>(RMB)</i>
<b>Intelligent automotive lamps</b>										
Headlamps . . . . .	9,848	1,606.6	151,603	1,649.2	302,766	1,768.1	104,612	1,613.8	124,187	1,629.8
Rear lamps . . . . .	31,874	1,095.3	91,478	1,112.5	152,283	1,133.6	42,590	1,003.3	98,441	1,310.0
<b>Total. . . . .</b>	<b>41,722</b>	<b>1,216.0</b>	<b>243,081</b>	<b>1,447.2</b>	<b>455,049</b>	<b>1,555.8</b>	<b>147,202</b>	<b>1,437.1</b>	<b>222,628</b>	<b>1,488.4</b>

During the Track Record Period, the sales volume of our intelligent automotive lamps increased from 41,722 sets in 2021, 243,081 sets in 2022 to 455,049 sets in 2023, and increased from 147,202 sets in the five months ended May 31, 2023 to 222,628 sets in the five months ended May 31, 2024. The average selling price increased from RMB1,216.0 per set in 2021, RMB1,447.2 per set in 2022 to RMB1,555.8 per set in 2023, and increased from RMB1,437.1 per set in the five months ended May 31, 2023 to RMB1,488.4 per set in the five months ended May 31, 2024. The increase in average selling prices was primarily due to the transformation towards intelligent, integrated and customized features of our intelligent automotive vision products. According to CIC, the value of intelligent automotive vision systems per vehicle in China is expected to experience further increase from approximately RMB3,600 in 2023 to approximately RMB4,700 by 2028, due to the advancements in LED technologies and the growing consumer demand for customized features. Meanwhile, since the value of intelligent automotive lamps accounts for a relatively small portion of the value of automobile vehicles, the general decrease in automobile prices does not have a material impact on the selling prices of our intelligent automotive vision products. When facing price decreases in automobile models, the increased automobile vehicle sales will drive up our revenue from the intelligent automotive business and grant us more opportunities to collaborate with more automotive OEMs and Tier-1 suppliers through our enhanced price competitiveness. In addition, automotive OEMs increasingly opt for domestic automotive lamp suppliers, which also facilitates our capitalization on market dynamics in the intelligent automotive vision business, boosting our revenue from intelligent automotive lamps. See “Risk Factors — Risks Relating to Our Industry and Business — Demand for our LED products depends on trends and developments in their corresponding end products and end markets.”

*Headlamps*

Headlamps, a key component in enhancing driving safety and experience, is the most valuable among all intelligent automotive lamps. Our headlamp development strategies are tailored to various vehicle model pricing tiers. We developed a universally applicable ultra-narrow module series, specifically, a high and low beam lighting module series characterized by its extremely narrow light-emitting area. These universal modules are designed to cater to the prevalent headlamp visual requirements in today's vehicles while enhancing the aesthetic appeal of headlamps. We are focused on the development of intelligent ADB and interactive projection headlamp systems that range from hundreds to tens of thousands of pixels. Equipped with our intelligent automotive lamp technologies, the intelligent high-pixel ADB headlamps enable a longer illumination distance and feature intelligent anti-glare functions through the integration of cameras and LiDAR. Our ADB headlamps determine the location and proximity of oncoming vehicles and automatically adjust the light beam height to reduce the glare caused by the headlights to the oncoming drivers. In addition, our ADB headlamps include a cornering lamp function that illuminates areas to the side of the vehicles when they make turns, facilitating the drivers' prompt detection of nearby objects and enhancing safety. See “— Research and Development — Our Technologies — Product-Specific Technologies — Intelligent Automotive Lamp Technology.”

In 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, we had two, four, ten, seven and ten headlamp projects under production, respectively, and our revenue from headlamps accounted for 31.2%, 71.1%, 75.6%, 79.8% and 61.1% of our revenue from intelligent automotive lamps during the same periods. During the Track Record Period, revenue from our headlamp projects significantly increased, reflecting our strategic emphasis on intelligent automotive lamp products bearing higher value and application importance. The average selling price of our headlamps showed steady growth during the Track Record Period. In 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, the average selling price amounted to RMB1,606.6, RMB1,649.2, RMB1,768.1, RMB1,613.8 and RMB1,629.8 per set, respectively.

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The table below sets forth some of our key headlamps and their features.

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### Product

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### Features

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Xingyue L (星越L) Headlamps

The matrix-style headlamps we developed for Xingyue L offer strong light penetration and unique aesthetic appeal. Each headlamp incorporates a two-row, three-section design, seamlessly integrating daytime running lights, position lights, high and low beam lights, as well as turn signals. Its high beam module enables a maximum illumination distance of up to 178 meters.



Smart Headlamps

The intelligent headlamps we developed for Smart incorporate 32-pixel ADB modules and a variety of lighting models. One of its key features is the cornering lamp function, an auxiliary light source designed to illuminate turning areas. The cornering lamps automatically activate in response to steering wheel movements or turn signal indications. This enables drivers to promptly detect pedestrians, thereby enhancing safety and reducing accident rates.



Lynk & Co 09 Headlamps

The headlamps we developed for Lynk & Co 09 are equipped with 84-pixel high-resolution ADB modules and paired with the electronic adaptive front lighting systems. The adaptive front lighting system offers fast reaction and adeptly adjusts the headlamp angles in response to steering wheel movement and under complex road conditions, which help expand the driver's field of vision, ensuring optimal illumination and enhancing driving safety.



Lynk & Co 06 EM-P  
Headlamps

The headlamps we developed for Lynk & Co 06 EM-P represent significant advancements in lighting module integration and product process design. Each headlamp features two dual-beam modules, seamlessly complementing its high and low beam modules. In addition, it employs a high draft angle in its process design that exceeded industry norms through advanced molding and refined gluing techniques, achieving optimal sealing effect.

### Case Study — Lynk & Co 06 EM-P Headlamps

We undertook the Lynk & Co 06 EM-P headlamps development project and participated in styling analysis and prototype production in the product design phase in March 2022. The below sets forth some of the details regarding this joint development.

- *Customer requirements:* the customer asked for unique styling with a customized size requirement, in order to cater to its requirements for the inner space of the lamp and the bespoke appearance of the vehicle with integrated signal lights and headlamps that deviates from Lynk & Co's traditional approach. In terms of the design of high and low beam modules, the customer required the modules to achieve a five-star evaluation in the automobile safety index and level 2 of the road lighting evaluation, which is manifested by various tests results, including a national safety assessment program and an illumination distance test.
- *Our R&D focus:* upon fulfillment of the design of high and low beam modules, we further developed an innovative design featuring two dual-beam modules with one of them increasing the distance of low beams and the other increasing the width of low beams, while both modules light up simultaneously when the low beam is activated. The dual-beam modules can greatly expand the illumination distance and width, achieve wider near-field illumination and more extensive far-field illumination, providing the driver with a brighter driving vision while enabling improved night driving safety. In terms of process design, we adopted a 37° draft angle for the external lamp cover, allowing higher flexibility in vehicle exterior design. The draft direction of the external lamp cover in the industry generally adopts an angular deviation smaller than or equal to 15° from the gluing and pressing direction. Our adoption of the 37° draft angle exceeded the industry norms through advanced molding and refined gluing techniques, achieving optimal sealing effect.
- *Timeline:* we initiated the development in March 2022. The mass production of Lynk & Co 06 EM-P started in September 2023.

### *Rear Lamps*

Aside from headlamps, we also offer LED rear lamps for automotive OEMs. The rear lamps we develop have a series of intelligent features, including dynamic effects of sequential turn signals (where the turn signal light moves across the car in the direction of intended travel), breathing light effects (where the brightness of the light changes smoothly between dark and bright), welcome and farewell light effects and custom light effect. We develop and produce both separate and continuous rear lamps for automotive OEMs. Separate rear lamps have two sets of

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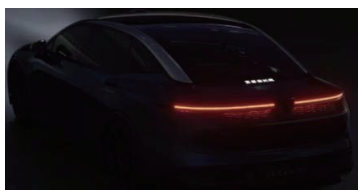
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lamps on both sides of a vehicle, while continuous rear lamps form an end-to-end light strip across the rear of a vehicle. As the evolution of automotive rear lamps, particularly in intelligent cars, transitions from a separate design to a continuous design, we actively respond to this trend by shifting our development focus towards continuous rear lamps. Accordingly, the sales contribution of continuous rear lamps experienced a consistent growth, with its revenue contribution to the revenue from rear lamps increasing from nil in 2021 to over 5% in 2022, to over 36% in 2023, and further increasing to over 50% in the five months ended May 31, 2024. In 2021, 2022, 2023, and the five months ended May 31, 2023 and 2024, we had two, three, seven, four and eight rear lamp projects under production, respectively, and our revenue from rear lamps accounted for 68.8%, 28.9%, 24.4%, 20.2% and 38.9% of our revenue from intelligent automotive lamps during the same periods. The average selling price of our rear lamps gradually increased during the Track Record Period. In 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, the average selling price amounted to RMB1,095.3, RMB1,112.5, RMB1,133.6, RMB1,003.3 and RMB1,310.0 per set, respectively.

The table below sets forth some of our key rear lamps and their features.

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### Product



ZEEKR 007 Rear Lamps

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### Features

The rear lamps we developed for ZEEKR 007 utilize a single piece of thick-walled side-emitting light for the rear lamp on each side. The lamps' compact and slender design is accentuated by the black edges. When activated, the super-red light provides a balanced and visually appealing illumination. The thick-walled side-emitting light highlights the body lines of the vehicle, adding an artistic touch. The rear lamps also support the vehicle's OTA light effect upgrades.



Preface (星瑞) Rear Lamps

The rear lamps we developed for Preface are compatible with the Geely 2.0T power platform. The rear lamps feature nine dynamic and powerful crystal line position lights on each side of the vehicle. Since its launch in the market, the Preface model has quickly gained popularity among comparable sedans.



## BUSINESS

### Product



Lynk & Co  
06 EM-P Rear Lamps

### Features

The rear lamps we developed for Lynk & Co 06 EM-P adopt a succinct design, providing an enhanced visual experience. Each continuous rear lamp consists of 84 energy crystal blocks, grouped into twelve sets on both sides. The lamp strip in the middle incorporates the Lynk & Co brand logo, creating a vibrant and lively ambience with aesthetics.

### *Our Intelligent Automotive Lamp Projects*

During the Track Record Period and up to the Latest Practicable Date, our intelligent automotive lamp projects were secured through competitive bidding processes from Geely Related Group. The following table sets forth the number of our intelligent automotive lamp projects started design in, secured design win and commenced mass production during each period of the Track Record Period and up to the Latest Practicable Date:

Number of projects	Product	For the year ended December 31,			For the five months ended May 31, 2024	From June 1, 2024 until the Latest Practicable Date
		2021	2022	2023		
Started design in <sup>(1)</sup> . . .	<i>Headlamps</i>	11	6	11	5	1
	<i>Rear lamps</i>	5	12	13	6	1
<b>Total</b> . . . . .		<b>15<sup>(3)</sup></b>	<b>18</b>	<b>24</b>	<b>11</b>	<b>2</b>
Secured design win <sup>(2)</sup> . . .	<i>Headlamps</i>	7	3	—	—	—
	<i>Rear lamps</i>	2	5	1	1	—
<b>Total</b> . . . . .		<b>8<sup>(3)</sup></b>	<b>8</b>	<b>1</b>	<b>1</b>	<b>—</b>
Commenced mass production . . . . .	<i>Headlamps</i>	2	2	6	—	—
	<i>Rear lamps</i>	2	1	4	1	—
<b>Total</b> . . . . .		<b>4</b>	<b>3</b>	<b>9<sup>(3)</sup></b>	<b>1</b>	<b>—</b>

*Note:*

(1) “Design in” is a process where automotive OEMs engage supplier candidates of intelligent automotive lamps to propose innovative designs of automotive lamps for integration into their new automobile models.



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## BUSINESS

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- (2) “Design win” is a formal confirmation by automotive OEMs that confirms the selection of a specific supplier’s intelligent automotive lamps for integration into their new automobile models.
- (3) Included an intelligent automotive lamp project that encompassed both headlamps and rear lamps.

The projects we secured during the Track Record Period typically progressed from starting design in to securing design win within a span of three to six months. Subsequently, the advancement from securing design win to the commencement of mass production usually took a further nine to twelve months. The time needed during each stage may vary depending on the complexity of the project design and specific requirements of the automotive OEMs. According to CIC, the typical life cycle of automobile models after mass production ranges from two to five years.

### *Automotive-Grade LED Devices and Modules*

As part of our intelligent automotive vision product matrix, we also offer automotive-grade LED device and module solutions. Automotive-grade LED devices and modules are the core components of automotive lamps, and their functionality and performance are highly correlated with driving safety. Consequently, automotive OEMs’ supplier qualification audits for LED devices and modules typically go beyond the level of Tier-1 direct suppliers, to Tier-2 or even Tier-3 automotive lamp suppliers. Only those who pass the audit procedures can attain the supplier qualification from the automotive OEMs and become their Tier-2 or Tier-3 suppliers. We are a qualified supplier for more than 20 automotive OEMs or Tier-1 suppliers to provide them with our automotive-grade LED devices and modules. Automotive-grade LED devices and modules are required to be significantly more reliable than standard lighting counterparts, given their prolonged outdoor exposure and critical importance to the drivers’ visibility during vehicle operation. The automotive industry typically requires that LED products used in vehicle lighting are made from high-quality raw materials with enhanced heat dissipation, extended operational lifespan and robust safety-centric designs. They are also subject to rigorous testing protocols, such as compliance with the AEC-Q102 standard, which is a qualification granted to automotive-grade optoelectronic devices in the automotive industry only after their completion of long-term reliability tests under stringent environmental conditions. As of May 31, 2024, 87 of our automotive-grade LED devices were recognized as AEC-Q102 qualified.

We developed a broad range of automotive-grade LED devices and modules specifically for intelligent automotive lamps and solutions. These products are characterized by their high brightness, high power, robust corrosion resistance and durability. In addition, 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, according to CIC. During the Track Record Period, our revenue from our automotive-grade LED devices and modules increased

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## BUSINESS

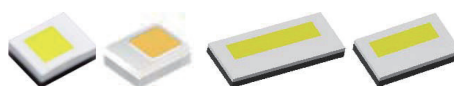
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from RMB23.5 million in 2021 by 103.6% to RMB47.9 million in 2022, increased by 31.6% to RMB63.0 million in 2023, and increased from RMB14.1 million in the five months ended May 31, 2023 by 141.3% to RMB34.1 million in the five months ended May 31, 2024.

Our automotive-grade LED devices mainly include high-power devices for headlamps and low- to medium-power devices for rear lamps and interior light. The high-power devices are based on ceramic-based flip-chip or vertical structures, which enable high brightness and reliability. The low- to medium-power devices, featuring small size and high corrosion resistance, employ advanced automotive-grade SMD packaging technology. 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. The average selling price of our automotive-grade LED devices remained relatively stable at RMB0.19 and RMB0.17 per piece in 2021 and 2022, and increased to RMB0.27 per piece in 2023. The average selling price increased from RMB0.14 per piece in the five months ended May 31, 2023 to RMB0.32 per piece in the five months ended May 31, 2024. The increase was primarily due to our product advancements towards higher power and enhanced performance.

The pictures below set forth some of our key automotive-grade LED devices.

High-power devices for headlamps



Low- to medium-power devices for rear lamps and interior light



As the critical light-emitting units of intelligent automotive lamps, automotive LED modules are further assembled into both headlamps and rear lamps. See “— Production — Production Process.” These modules control the LED light source and intensity, color and other properties of the emitted light.

Our automotive LED modules mainly include PCBA modules and lens modules for automotive headlamps. PCBA modules are optoelectronic modules with optical, mechanical, electrical and other functions, which integrate LED devices, connectors and electronic components such as resistors, capacitors, diodes and ICs, onto a PCB by utilizing surface mount equipment. PCBs are designed based on the size, space and photoelectric function requirements of the automotive lamps as well as in accordance with the regulations on automotive lamp signals and

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lighting. Our PCBA modules are characterized by optical uniformity, simple assembly, photoelectric integration, and they are widely applied to automotive lamps, including rear lamps, headlamps and interior lights.

Our lens modules for automotive headlamps primarily consist of light source, drivers and control circuits, lenses and reflectors. These modules achieve different lighting effects and functions by controlling the light source through drivers and control circuits. Through the integration of lenses and reflectors, our automotive LED modules provide high brightness nighttime illumination with low power consumption and diverse functions. These products not only improve safety and visibility during night driving, but also offer greater room and flexibility for creative automobile exterior design. Our automotive LED modules encompass a range of features, including low beam, high beam, dual beam and ADB.

The sales volume of our automotive LED modules increased significantly during the Track Record Period. In 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, we sold 63.8 thousand, 531.8 thousand, 1,133.8 thousand, 449.6 thousand and 483.8 thousand bars, respectively. The average selling price of our automotive LED modules was RMB20.81, RMB23.62, RMB14.85, RMB11.87 and RMB16.88 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 because of the customized nature of module products, with their design and cost varying in accordance with the unique specifications of each customer's vehicle model.

The pictures below set forth some of our key automotive LED modules.

PCBA



Lens modules  
for automotive  
headlamps



### *Standardized Headlamp Lens Module Series*

The standardized headlamp lens module series adopts our self-developed high-brightness, high-reliability and high-power ceramic-based flip-chip LED light source. This series offers strong compatibility with varied automotive lamp models in accordance with difference sizes of automotive headlamp models and the mainstream light emitting area requirements in the industry, while featuring a streamlined design. Its lens structure and pattern design contribute to optimal

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illumination effect, at the same time enhancing light uniformity, reducing glare and expanding drivers' field of vision. The use of laser welding in the assembly process further bolsters production stability. Our standardized headlamp lens module series that were mass-produced include the 30mm series high beam, low beam and ADB products and the 20mm series bifocal lens module products, both series were named after their advanced ultra-narrow design. These module products were incorporated into the intelligent automotive lamps we developed for Smart #3, Xingyue L and Lynk & Co 06 EM-P, among which, Smart #3 adopted lens module products with ADB functions. As of May 31, 2024, the headlamp lens module series had been installed and applied to more than 290,000 vehicles, driven by the increasing automobile vehicle sales of our customers. For example, Xingyue L, since its launch in 2021, has seen robust sales growth, with sales volume exceeding 69,000 in the five months ended May 31, 2024, ranking among the top ten compact SUV models in terms of sales volume in the corresponding period in China, according to CIC.

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### *Pipeline of Intelligent Automotive Vision Products*

We will continue to introduce new products to expand our product offerings and customer base. The following diagram illustrates the product development plan with the expected time of mass production of our future intelligent automotive vision products.

Product		2024	2025	2026
<b>Intelligent automotive lamps</b>				
Headlamps	<i>Mid-to high-end vehicles</i>		<ul style="list-style-type: none"> <li>• ZEEKR</li> </ul>	
Rear lamps	<i>Mid-to high-end vehicles</i>	<ul style="list-style-type: none"> <li>• ZEEKR</li> <li>• Lynk &amp; Co</li> </ul>	<ul style="list-style-type: none"> <li>• ZEEKR</li> <li>• ZEEKR</li> </ul>	
<b>Automotive LED modules</b>	<i>Mid-to high-end vehicles</i>	<ul style="list-style-type: none"> <li>• Rear lamps of Lynk &amp; Co</li> <li>• Headlamps of Brand A</li> <li>• Headlamps of Brand B</li> </ul>	<ul style="list-style-type: none"> <li>• Rear lamps of ZEEKR</li> </ul>	
<b>Automotive-grade LED devices</b>	<i>Mid-to high-end vehicles</i>	<ul style="list-style-type: none"> <li>• Rear lamps of Brand C</li> <li>• Headlamps of Geely Emgrand</li> <li>• Headlamps and rear lamps of Li Auto</li> <li>• Headlamps and rear lamps of Lynk &amp; Co</li> </ul>	<ul style="list-style-type: none"> <li>• Rear lamps of ZEEKR</li> </ul>	
	<i>Entry-level vehicles</i>	<ul style="list-style-type: none"> <li>• Headlamps of Brand D</li> <li>• Grille lights of Brand E</li> <li>• Rear lamps of Brand F</li> </ul>	<ul style="list-style-type: none"> <li>• Rear lamps of Changan Auto</li> <li>• Rear lamps of Brand G</li> </ul>	<ul style="list-style-type: none"> <li>• Headlamps and rear lamps of Brand H</li> <li>• Headlamps and rear lamps of Brand I</li> <li>• Rear lamps of Brand J</li> </ul>

Brand A: A prominent automotive brand in the renewable energy sector, renowned for its innovation in electric vehicles and battery technology.

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- Brand B: A leading smart EV brand recognized for its cutting-edge approach to autonomous driving technology and smart, connected features in its vehicles.
- Brand C: An automotive brand known for its pioneering electric vehicles that blend sustainable technology with innovative design.
- Brand D: An automotive brand recognized for its expansive range of commercial vehicles that cater to both utility and passenger transport needs with a focus on innovation and reliability.
- Brand E: A key automotive brand offering a diverse portfolio that includes passenger cars, commercial vehicles and auto components, with a reputation for quality and innovation.
- Brand F: An automotive brand noted for its development of passenger vehicles, with a focus on integrating modern design and technology to meet the evolving demands of the global market.
- Brand G: An automotive brand renowned for its extensive range of vehicles, including luxury cars, commercial trucks and buses, all underscored by a heritage of innovation and a commitment to quality.
- Brand H: A leading automotive brand known for its extensive range of vehicles and significant global market presence.
- Brand I: An automotive brand with a comprehensive portfolio of commercial and passenger vehicles, exhibiting a robust expansion into international markets.
- Brand J: A well known automotive brand merging global expertise with a deep understanding of the local market, delivering a diverse portfolio of vehicles to cater to a wide-ranging clientele.

We have a broad customer base and our intelligent automotive vision products are widely applied in both EVs and ICE vehicles. During the Track Record Period, our intelligent automotive lamp products were applied to 12 EV models and seven ICE vehicle models. Based on our pipeline, we expect four more EV models scheduled to commence mass production in 2024 and 2025 to adopt our intelligent automotive lamp products. The development of our intelligent automotive vision business is, therefore, influenced by the overarching trends within the overall automotive industry. Fluctuations in either the ICE vehicle market or the EV market individually are unlikely to materially affect our business prospect, operations and financial performance. According to CIC, China is the world's largest passenger vehicle market and the leading manufacturer of EVs and has become the largest intelligent automotive vision market. The market size of China's intelligent automotive vision is expected to reach RMB174.2 billion by 2028 with a CAGR of 14.4% from 2023 to 2028. In addition, the automotive industry is witnessing a transformation towards intelligent, integrated and customized automotive lamps, which is expected to further drive up the overall value of intelligent automotive vision products in both EVs and ICE vehicles. To the best of our knowledge, EVs that adopt our intelligent automotive vision products were primarily sold in China. In 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, overseas revenue from intelligent automotive vision business were RMB0.2 million, RMB0.8 million, RMB5.9 million, RMB2.5 million and RMB3.9 thousand, respectively. As a result, given that (i) we are an upstream supplier of automobile production, (ii) the diverse application area of

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our intelligent automotive vision products encompassing both ICE vehicles and EVs, and (iii) the relatively small overseas revenue contribution from the intelligent automotive vision business during the Track Record Period, our Directors are of the view, which the Sole Sponsor concurs, that the sales of our intelligent automotive vision products would not be materially and adversely affected if the US and/or Europe increases tariffs on EVs manufactured in China. Furthermore, CIC is of the view, which our Directors and the Sole Sponsor concur, that the potential impact of tariffs levied on the end products of our intelligent automotive business has been duly considered in the projections for the future expansion of the intelligent automotive vision market. Although the tariff increase recently announced by the U.S. government is likely to influence the growth rate of EV exports from China to the U.S., the U.S. market has not yet become a significant export destination for Chinese automotive OEMs, accounting for a mere 8% of China's total EV exports in 2023. Consequently, such an increase in tariffs is not expected to exert a material adverse effect on the growth rate of China's EV exports. In terms of the level of provisional countervailing duties pre-disclosed by the European Commission on imports of BEVs, based on information currently available, our Directors are of the view, which the Sole Sponsor concurs, that such duties would not materially and adversely affect the sales of our intelligent automotive vision products, since, according to CIC, only one of the corresponding models of our 22 secured intelligent automotive lamp projects as of May 31, 2024, other than being sold in China, was exported to Europe. See "Risk Factors — Risks Relating to Our Industry and Business — We are subject to the risks associated with international trade policies, geopolitics and trade protection measures, and our business, financial condition and results of operations could be adversely affected."

### **High-End Lighting**

High-end lighting products are specialized, high-performance solutions developed to meet the unique demands of various application scenarios. Each scenario necessitates distinct performance characteristics to ensure optimal functionality and efficiency. In 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, the revenue from high-end lighting was RMB1,033.9 million, RMB670.2 million, RMB650.8 million, RMB253.6 million and RMB254.1 million, respectively, accounting for 74.5%, 47.5%, 35.0%, 40.6% and 30.1% of our total revenue during the same periods, respectively. Our high-end lighting products are further categorized into high-end lighting devices and high-end lighting modules. 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, revenue from our high-end lighting business experienced a downward trend. In 2021, we shifted our focus towards the R&D and production of high-end products with enhanced performance and higher gross profit margins, such as horticultural lighting and outdoor lighting products. For example, in the five months ended May 31, 2024, the gross profit margin for a flagship series of outdoor lighting products was approximately 14.7% higher than the overall gross profit margin for our high-end lighting products during the same period. The product shipment of our high-power horticultural lighting products in 2022 increased by 12.0% compared with 2021.

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Our robust technical capabilities fostered strong growth in the horticultural lighting and outdoor lighting products which contributed to the gross profit margin improvement of our high-end lighting business. Horticultural lighting and outdoor lighting markets are increasingly seeking improvements in product performance, specifically in terms of exceptional brightness, power, photoelectric conversion efficiency and reliability. Critical performance indicators for outdoor lighting products are power, product lifetime and reliability, whereas for horticultural lighting, they include power, light efficiency and product lifetime. We employ the technologies of power ceramic substrate design, high-brightness anti-reflective coating and high-brightness optical lens design and packaging to achieve devices with low thermal resistance, high power and superior reliability. The adoption of such technologies not only enhances brightness and photoelectric conversion efficiency and reliability, but also meets customer requirements and elevates product competitiveness. We developed high-reliability outdoor lighting products that offer high temperature resistance and strong resistance to humidity and sulphurization, featuring power levels exceeding 2W and an L<sub>70</sub> lifetime of over 70,000 hours. Our horticultural lighting products feature power levels exceeding 2W, high light efficiency with a wall plug efficiency (WPE) greater than 80% and a Q<sub>70</sub> lifetime exceeding 100,000 hours. Despite the decrease in revenue from high-end lighting in 2021, 2022 and 2023, the gross profit margin of high-end lighting remained relatively stable at 19.6% and 19.2% in 2021 and 2022, respectively, and increased to 23.4% in 2023 and 24.8% in the five months ended May 31, 2024.

### *High-End Lighting Devices*

Our high-end lighting devices mainly adopt SMD packaging technology and ceramic-based packaging technology. The devices are incorporated into a variety of lighting applications, including tubes, bulbs, spotlights and panel lights, as well as a diverse range of high-end and high-value solutions, including horticultural lighting, special lighting, intelligent lighting, indoor lighting and outdoor lighting. Our horticultural lighting devices facilitate plant growth by providing suitable spectra, light intensity and lighting cycles, which can serve as a supplement or replacement of natural sunlight. They are particularly suitable for use in emerging agricultural sectors such as indoor, vertical and urban farming. Notably, the technology and product performance of our 660nm horticultural lighting device are at the industry leading level in terms of PPE and PPF. In special lighting, our UV LED devices can be applied to industries covering biomedicine, counterfeit detection and air purification and our IR LED devices can be applied in areas including mobile phones, automobiles, security monitoring, facial recognition and IR medical treatment. In intelligent lighting, our high-end lighting devices enable the synthesis of any color of light in nature, catering to the needs of application scenarios that require dimming, color adjustments and intelligent light control.



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We employ ceramic-based or metal-based flip-chip or lateral-chip COB packaging technology and high-power COB integrated packaging technology for our indoor commercial lighting products. Highlighted by uniform color distribution and superior product performance, our high-end lighting devices satisfy the higher light quality requirements of shopping malls, supermarkets and exhibition halls on color, uniformity and the illumination effect on specific objects. In terms of outdoor lighting, we developed high-power ceramic-based white light devices characterized by high luminous efficacy and reliability as well as high-efficiency, high-power EMC products that feature multiple integrated chips. These advancements provide superior solutions for outdoor lighting applications such as streetlights.

In response to the growing demand for energy-efficient and environmentally friendly lighting solutions, we enhanced the energy efficiency of our high-end lighting products in recent years. Through our continual technological innovation and refined product design, we improved the photoelectric conversion efficiency of our products, enhanced brightness output and reduced power consumption. The luminous efficacy of our leadframe flip-chip devices reaches 240lm/W. The photoelectric conversion efficiency of our 660nm device for horticultural lighting and UVC devices is 83.9% and 11.7%, respectively. According to CIC, the luminous efficacy and photoelectric conversion efficiency of our high-end lighting products are on par with that of the leading products from internationally renowned companies.








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. The average selling price of our high-end lighting devices increased from RMB0.11 per piece in 2021 to RMB0.14 in 2022, and further to RMB0.15 in 2023, which was in line with our product 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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The pictures below set forth some of our key high-end lighting device products as well as their application scenarios.

<b>High-End Lighting Devices</b>	<b>Our Products</b>	<b>Application Scenarios</b>
Indoor lighting . . . . .		
Outdoor lighting . . . . .		
Horticultural lighting . . . . .		
Intelligent lighting . . . . .		
Special lighting . . . . .		

### ***High-End Lighting Modules***

High-end lighting modules are module products that integrate LED devices, optical components, driver and control circuits, PCBs, connectors and surface coating materials through SMT technology and assembly processes to meet the needs of lighting applications such as indoor lighting, outdoor lighting and horticultural lighting. Our high-end lighting modules include driver-on-board (DOB) series and LED lamp board series, among which the DOB series integrate driver and control ICs on PCB light boards. Our high-end lighting modules applied in indoor lighting feature high luminous efficacy, high brightness, high CRI, high color consistency and simple assembly. Depending on the application scenarios, such as offices, shopping malls and hotels, we customarily design lighting solutions to provide desired lighting effects. In terms of outdoor lighting, our high-end lighting modules integrate light distribution, heat dissipation and protection level structure. Characterized by high brightness, high light efficiency, waterproof, dustproof and corrosion-resistant features, our high-end lighting modules applied in outdoor lighting are able to adapt to various extreme environments and provide reliable solutions for outdoor places such as highways, streets, squares and parks. For horticultural lighting, our high-end lighting modules employ an advanced nano-level coating technology to coat and protect LED devices and other key electronic devices, providing a safe, reliable and long-lasting guarantee for horticultural lighting users in humid and saline environments.

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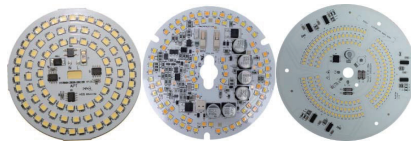
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In 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, we sold 15.6 million, 13.4 million, 12.4 million, 4.8 million and 6.2 million bars of high-end lighting modules, respectively. The average selling price of our high-end lighting modules 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.

The below pictures set forth some of our key high-end module products.

### High-End Lighting Modules

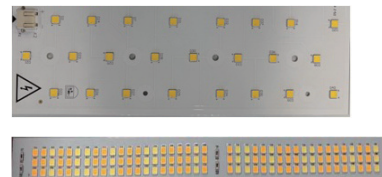
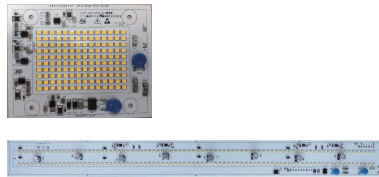
Indoor lighting . . . . .



### Lamp Board Series



Outdoor  
lighting/Horticultural  
lighting . . . . .



### DOB Series

The DOB modules, distinct from traditional switching power supplies, improve the power supply by streamlining the circuit design and reducing the module size. A DOB module integrates LED devices and drivers onto a single PCB board using SMT technology, offering high power and high luminous efficacy. DOB modules can modify color and brightness parameters via their built-in dimming ICs and can interface with various sensors, including radar, infrared, voice control modules, Wi-Fi and Bluetooth. The high integration level of DOB modules provides costs benefits, helping our customers in reducing inventory and increasing turnover. Our DOB series, primarily supplied to leading LED companies such as Signify and Samsung, can be applied in different lighting scenarios, such as indoor lighting and horticultural lighting.

### 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. The efficacy of these devices and modules significantly contributes to achieving high definition, high brightness, high color gamut, high contrast, high dynamic range (HDR), high light efficiency, slim design and low blue light, which is also the development trend in the advanced display

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industry. Our advanced display devices and modules, with such features, gained significant market recognition. According to CIC, the end customers of our advanced display products cover all of the top five TV brands globally in terms of product shipment in 2022. During the Track Record Period, our advanced display business witnessed substantial growth. Our revenue from advanced display increased from RMB280.3 million in 2021 by 21.5% to RMB340.7 million in 2022 and further increased by 28.0% to RMB436.2 million in 2023. Our revenue from advanced display increased from RMB145.3 million in five months ended May 31, 2023 by 53.9% to RMB223.6 million in the five months ended May 31, 2024.





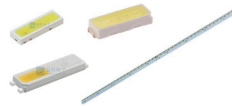
We are among the first companies in China that accomplished the packaging technology and product development of leadframe-type flip-chip LED high color gamut devices, according to CIC. In line with the development trends in the advanced display industry, leveraging our advanced backlight display technologies, we developed advanced display backlight devices with high color gamut, high brightness, high power, uniform light color and high reliability. Our direct-lit high-power devices have a maximum driving power exceeding 3W, effectively reducing module costs. Our high-gamut devices can be applied to LCD TVs with a color gamut of nearly 100%. Furthermore, our edge-lit devices provide independent control of brightness and color temperature, enabling precise dimming and color temperature control. 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 price of our advanced display devices remained relatively stable at RMB0.15 per piece in 2021 and 2022, and slightly decreased to RMB0.12 per piece in 2023. The decrease in 2023 was primarily due to the growing trend of televisions with local dimming function, which led to an increase in the deployment of low- to medium-power devices, as the number of devices used in each TV increased. 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. Our advanced display modules can also achieve high dynamic range and high contrast through multi-zone driving control and local dimming. Our advanced display module products with local dimming function include Mini LED backlight module and LED products integrating ICs. Our Mini LED backlight modules, which integrate Mini LED chips, driver ICs, optical lens packaging and electronic components on the PCBs, are characterized by their multi-zone fine dynamic dimming, flexible and slim design. Our LED products integrating ICs, distinguished by cost-effectiveness, integrate LED driver ICs onto standard LED lamp boards to form integrated module products with local dimming function. The average size of global TV panel shipments increased from 48.3 inches in 2021 to 51.1 inches in the five months ended May 31, 2024. Notably, in the five months ended May 31, 2024, LCD TV over 75 inches saw a significant

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period-on-period increase of approximately 34.5%. This market trend, coupled with the superior performance of our advanced display products, led to a significant surge in their application in LCD TVs over 75 inches. The contribution of these products to revenue from advanced display modules increased from just over 10% in 2021 to over 60% in the five months ended May 31, 2024. Our LED module products with local dimming function achieved strong sales growth, with the revenue generated as a percentage of revenue from advanced display modules increasing from over 5% in 2022 to over 25% in the five months ended May 31, 2024. As a result of the foregoing, during the Track Record Period, the sales volume of our advanced display modules steadily increased from 32.3 million bars in 2021, 42.7 million bars in 2022, 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 also 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 table below set forth the details of our advanced display product matrix by application scenario.

Categorization	Our Products	Key Features	Application Scenarios
Direct-lit . . . . .		<p>Our direct-lit products are characterized by high power, high reliability, uniform light color and high color gamut.</p>	
Mini LED		<p>Our Mini LED products are characterized by high brightness, slim design and superior reliability. Combined with the local dimming technology, they are able to attain an ultra-high contrast ratio of one million to one. When paired with QD quantum film, our Mini LED products can achieve a color gamut that exceeds 100%.</p>	 <p>LCD TVs and monitors</p>
Edge-lit . . . . .		<p>Our edge-lit products are characterized by high brightness, high light efficiency, thinness and high color gamut.</p>	

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### *High-Power Direct-Lit High-Gamut Backlight LED Series*

Our high-power direct-lit high-gamut backlight LED device and module products are characterized by high-power driver, superior brightness, exceptional reliability and high color gamut. Our products adopt a range of advanced technologies including high color gamut backlight technologies and high-power and high-reliability backlight device technologies. Through the systematic study of the phosphor materials, and by leveraging advanced packaging technologies such as sedimentation process, anti-corrosion and anti-moisture coating, we developed high-power direct-lit high-gamut backlight devices with low thermal resistance, high temperature and humidity resistance and small color drift. We went on to develop high-power direct-lit high-gamut backlight modules by optimizing module heat dissipation, module arrangement, light mixing arrangement and the secondary optics, i.e. optics outside of the LED packages. By increasing their unit power, we reduced the number of LED devices needed in a single module, thereby achieving cost-effectiveness while improving efficiency. During the Track Record Period, product shipment volume of the high-power direct-lit high-gamut backlight LED series increased significantly by 129.4% from 6.7 million bars in 2021 to 15.3 million bars in 2022, by another 24.1% to 19.0 million bars in 2023 as compared to 2022, and increased by 23.2% from 6.3 million bars in the five months ended May 31, 2023 to 7.7 million bars in the five months ended May 31, 2024.

### *Mini LED Series*

Mini LED represents a significant advancement in LED display technology and is widely expected to be one of the most promising high-end LED technologies, according to CIC. Mini LED is characterized by its high brightness, high color saturation and contrast, low power consumption and strong durability. In response to this technology trajectory and leveraging our flip-chip LED technology and advanced integrated packaging technology, we developed and introduced Mini LED backlight module solutions integrating electrical, optical, and thermal design for uniform light color and local dimming. Through the dense arrangement of Mini LED chips, and combined with the local dimming technology, the image contrast and energy efficiency are enhanced by dimming or switching off certain areas. Our R&D focused on the design and manufacturing processes to produce high-yield rate, high-quality Mini LED backlight module products. We established a Mini LED COB backlight module production line in 2021 and commenced mass production in 2022, meeting the production needs of 300,000 Mini LED-backlit TVs per year. In the five months ended May 31, 2024, the yield rate of our Mini LED COB backlight modules reached 99.59%. According to CIC, this places us at the forefront of the industry, surpassing the industry average yield rate of over 95%. Multiple models of our Mini LED products were adopted by well-known international and domestic TV and monitor companies. Sales of Mini LED products are expected to grow significantly as global Mini LED TV shipment reached 3.1 million units in 2022 and are expected to reach 9.07 million units by 2027 with a CAGR of 24.0%.



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### RESEARCH AND DEVELOPMENT

We are committed to R&D and innovation. Driven by our goal to meet the evolving needs of our customers, we invest substantial resources into this pursuit, thereby facilitating the creation and delivery of new premium LED products with enhanced performance. We recorded research and development costs of RMB62.0 million, RMB88.7 million, RMB87.2 million, RMB36.3 million and RMB37.6 million in 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, respectively. In addition, we aim to advance in our fundamental and product-specific technologies that improve the performance, reliability, durability and customer experience of our LED products. Our endeavors in R&D resulted in significant technical accomplishments, evidenced by a proven track record of generating IP and industry expertise. As of the Latest Practicable Date, we had 376 patents globally, covering key areas such as design and manufacturing of LED devices and modules, design of electronic control circuit for automobiles, automotive lamp structure and optical design, and process equipment and intelligent manufacturing. See “— Intellectual Property.”

As a result of our robust R&D capabilities, we continually innovate, develop and introduce new products to the market. In 2023, we sold 568 types of intelligent automotive vision products, 2,937 types of high-end lighting products and 1,009 types of advanced display products. During the five months ended May 31, 2024, we sold 415 types of intelligent automotive vision products, 1,656 types of high-end lighting products and 771 types of advanced display products. In 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, we introduced 1,220, 1,144, 1,653, 625 and 590 new products, respectively.

### R&D Team

As of May 31, 2024, our R&D team comprised of 337 dedicated employees, including distinguished graduates from premier domestic and overseas universities, specializing in various disciplines, such as materials engineering, optical engineering, electronic engineering, microelectronics, physics and chemistry. As of May 31, 2024, we had 11 R&D heads, with over half of them holding a master’s or doctoral degree. We established comprehensive internal talent cultivation mechanisms, including training camps for new employees, a rotation mentoring system and an R&D knowledge sharing base, designed for employees at all levels, from new employees, front-line operators, mid- to senior-level managers. Our positive, efficient, honest and innovative organizational culture further attracts and retains a large number of outstanding talents. Our R&D team possesses practical industry experience in upstream chip design and manufacturing, which provides the team with an in-depth understanding of chip selection and packaging design in the downstream packaging stages. The team also demonstrates robust capabilities in industrialization of our products, enabling us to swiftly address technical issues during the transition from small-scale to large-scale production and ensuring a stable mass production process.

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Our R&D team is categorized into a device R&D unit, a module R&D unit and an intelligent automotive lamp R&D unit. Below is a summary of these three R&D units and their core capabilities:

- *Device R&D unit.* Our device R&D unit specializes in the optical, electrical and thermal design and development of LED devices as well as their mass production and manufacturing techniques. It focuses on various areas including lighting, backlight display, the development of automotive-grade LED, UV and IR devices. It also manages our R&D sample production line, which involves the prototyping of new products and technologies. It operates a CNAS-certified laboratory for reliability and photoelectric performance testing. In addition, under the device R&D unit, there is a dedicated team for process R&D, mainly responsible for developing new production processes and optimizing existing production processes.
- *Module R&D unit.* Our module R&D unit is primarily responsible for the development of module products including automotive LED modules, high-end lighting and advanced display modules. It specializes in electrical design of PCB, drivers and control circuits, optical design such as lens and optical distribution design, as well as mechanical structure design such as PCB dimensions, connectors and heat sink. In addition, we also have a specialized software team under our module R&D unit, which is mainly responsible for the intelligent automotive vision product matrix.
- *Intelligent automotive lamp R&D unit.* Our intelligent automotive lamp R&D unit is dedicated to the development of intelligent automotive vision products and systems with a focus on automotive lamps. As our product lines cover the field of lens modules, headlamps, rear lamps and other automotive lamps, the intelligent automotive lamp R&D team specializes in structural, electronic, optical design and software as well as simulation for our products. This unit is equipped with a CNAS-certified laboratory for reliability tests and photoelectric tests. In addition, it also has a dedicated team for process development and mold design, primarily tasked with molding development and optimization.

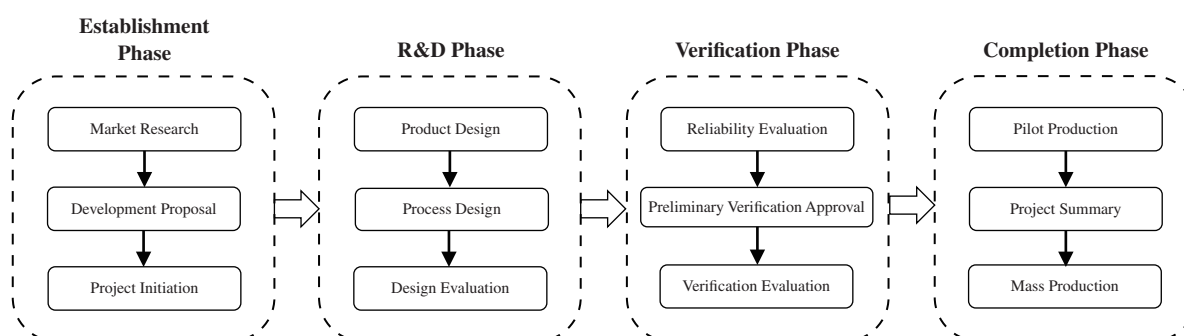
### **Product Development Process**

In the product establishment phase, we comprehensively analyze customer needs and the competitive environment, and then form a new product R&D proposal, which allows us to identify opportunities and potential economic returns based on industry insights and professional knowledge and to determine project establishment. Once an opportunity is identified and a project is established, our multi-disciplinary R&D team initiates the product and process design and evaluation. This phase requires collaboration among multiple departments, including product



engineering, quality assurance, safety, IP and procurement. During the subsequent verification phase, we prepare a product development plan considering factors such as function, costs, manufacturability and market positioning. The product is thoroughly examined for its reliability and manufacturability. When the project progresses to completion phase, we conduct pilot production and evaluate the manufacturing processes based on the R&D and verification results to enhance production efficiency. Once pilot production is passed, we compile a project summary and transition the product to our manufacturing department for mass production.

The below chart illustrates the key steps of our product development process.



Throughout the entire product development process, we foster strong partnership with our customers. When a customer identifies new market opportunities or needs, they collaborate with our team to define the product’s specifications and intended performance. This partnership then extends from the R&D phase to product verification and mass production. Such close-knit collaboration ensures that our product development aligns seamlessly with the customers’ needs, facilitating swift product upgrades and iterations to meet the customers’ requirements. After the completion of product development, we continually upgrade our products and refine our designs based on customer feedback during product development and after product launch.

### **Collaboration with Research Institutions**

We collaborate with universities and research institutions, enabling us to delve into industry trends, understand consumer preferences across diverse markets and keep up with emerging technologies. During the Track Record Period, we carried out cutting-edge key technology research in the fields of UVC devices, Micro LED and automotive lighting with well-known universities, research institutions and enterprises. For example, back in 2019, we initiated a cooperation with Guangdong Institute of Semiconductor Industrial Technology (廣東省半導體產業技術研究院) on research on key technologies and innovative applications of UVC solid-state light sources. We designed and developed UVC LED packaging devices through researching the packaging structure, material, process and reliability of UVC LED device. The project was applied for acceptance in September 2023 and it was conducted as part of the Guangdong Key Area R&D Programs, which

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had a total of 35 Science Citation Index-indexed papers published, one Patent Cooperation Treaty patent, 40 invention patents and five utility model patent filed for application. The project also participated in two standard formulations.

The salient terms of our agreements with universities or research institutions are set forth below:

- *Scope of collaboration.* The agreements specify the research purpose of the projects and the specific obligations of each party.
- *Intellectual property rights.* The parties typically jointly own any IP rights developed in the joint R&D under the agreements. IP rights that arise prior to the agreement or independent from the other party belong to their original owners.
- *Project funding.* Each party contributes to an agreed portion of the project funding, in addition to funds granted by local government departments.
- *Confidentiality.* The parties are responsible for maintaining strict confidentiality of all confidential information provided by the other parties.
- *Termination.* The agreements can be terminated upon failure to achieve project objectives with all parties' consent, and the parties shall bear their own losses.

### **Our Technologies**

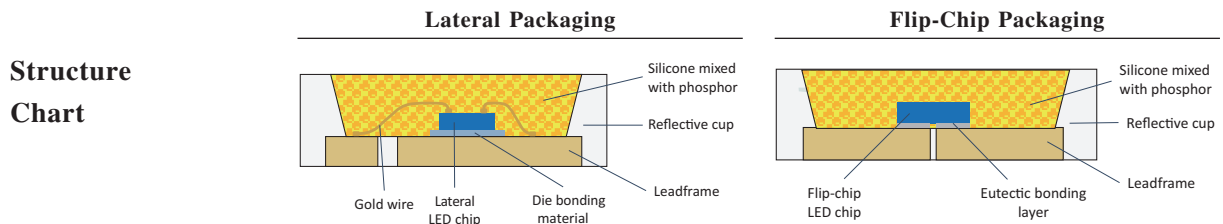
We effectively leveraged our early accumulation and achievements in LED chips and packaging technology to develop a broad range of technologies. Our technologies include (i) fundamental technologies covering flip-chip LED technologies and advanced photoelectric semi-conductor packaging technologies and (ii) product-specific technologies developed for specific fields of application. Anchoring our success in our proprietary technologies, we are committed to independent R&D and formed a comprehensive system to protect our IP rights. See “— Intellectual Property.”

***Fundamental Technologies***

*Flip-Chip LED Technology*

We are one of the leading companies in the industry to engage in the development of flip-chip LED technology from an early stage. This technology, which is central to our operations, offers many advantages, including a broad power range, superior cost-effectiveness for high-power applications, a low working voltage, as well as high reliability. Our flip-chip LED technology encompasses several subsidiary technologies, including flip-chip LED chip technology, substrate technology, flip-chip bonding technology and advanced packaging technology based on flip-chip LEDs. Flip-chip LED packaging technology is an advanced packaging technology. By placing and bonding the LED chip down on a heat-dissipating substrate or leadframe, reliable mechanical and electrical connections are facilitated. Our LED products, which are based on flip-chip structures, offer superior heat dissipation, durability, reliability and luminous efficacy. We leveraged flip-chip LED technology to develop a diverse range of products, including ceramic-based high-power LED products used in streetlights, tunnel lights and headlamps, leadframe-based flip-chip LED products for high-efficacy lighting and high-current driven backlight products, as well as horticultural lighting LED products, Mini LED products and other high-end application products. We are one of a few companies possessing the requisite expertise in flip-chip LED technology. Our flip-chip LED products consistently demonstrate superior performance, high production yield rate and high quality within the industry. For example, our high-efficacy leadframe-based flip-chip 3030 packaging products lead the industry in terms of photoelectric performance, featuring high reliability and high production yield rate, according to CIC.

The below pictures and table illustrate the structures of lateral packaging and flip-chip packaging, their features and characteristics and application scenarios.



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	<u>Lateral Packaging</u>	<u>Flip-Chip Packaging</u>
<b>Features and Characteristics</b>	<ul style="list-style-type: none"> <li>• Bonding wires are required for electrical connection, which carries a risk of disconnection and thus offers lower reliability;</li> <li>• Insulating glue is needed for die bonding, resulting in a lower heat dissipation efficiency;</li> <li>• The electrode in the front obstructs light, leading to a decrease in light output efficiency; and</li> <li>• Higher working voltage due to current block issues.</li> </ul>	<ul style="list-style-type: none"> <li>• Electrical connections can be achieved without wire bonding, effectively eliminating the risk of product failure from disconnection of bonding wires;</li> <li>• The LED chip is directly connected to the leadframe or substrate through a large metal electrode, which enhances heat dissipation and increases reliability;</li> <li>• The absence of electrodes on the light-emitting surface leads to higher light output; and</li> <li>• Lower working voltage due to more uniform current distribution.</li> </ul>
<b>Application Scenarios</b>	SMD low- to medium-power packaged devices, such as general lighting tubes, bulbs, downlights, etc.	High-power and high-end application fields with high reliability requirements, such as outdoor lighting, automotive lighting, special lighting, Mini/Micro LED, etc.

### *Advanced Photoelectric Semi-Conductor Packaging Technologies*

In the LED lighting industry, packaging technology is of paramount importance as it directly influences the luminous efficacy, heat dissipation efficiency and reliability of LED products. We mastered several core technologies within advanced photoelectric semi-conductor packaging technologies. These include advanced white LED packaging photoconversion technology, advanced LED integrated packaging technology and high-end LED device packaging technology.

(i) Advanced White LED Packaging Photoconversion Technology

With more than a decade of dedicated research, our white LED packaging photoconversion technology leads as one of our core technologies. This technology encapsulates blue LEDs into white LED devices with customized colors and characteristics through photoconversion materials such as phosphors. Based on the advanced white LED packaging photoconversion technology, we developed three sub-technologies, namely, the advanced phosphor formulation technology, the narrow emission-based photoconversion material encapsulation technology and the phosphor sheet photoconversion technology. The advanced phosphor formulation technology is an optical formula packaging technology with high brightness, high color gamut and adjustable color temperature and CRI, which lays the foundation for the application of white LED devices in high-end application fields. Through our research on the characteristics of narrow emission photoconversion materials, we broke through the limitations of material properties and developed high-end lighting products with high CRI with higher luminous efficacy as well as backlight products with higher color gamut. The phosphor sheet photoconversion technology helped us develop a packaging structure and process based on ceramic phosphor sheet, silicone phosphor film and glass phosphor sheet with uniform light color, high color concentration, high temperature resistance and high reliability, which ensures the performance and quality of high-power LED products in high-end applications such as automotive lighting and outdoor lighting.

(ii) Advanced LED Integrated Packaging Technology

Advanced LED integrated packaging technology is a technology that integrates multiple LED chips or integrates LED chips and silicon ICs into a single device. We are one of the first companies in China to develop LED integrated packaging technology based on flip-chip LED technology, according to CIC. Our integrated packaging technology facilitates the integrated packaging of multiple LED chips, the integrated packaging of LED and IC on the same substrate and the integrated packaging of LED on the silicon substrate with integrated IC. In 2020, our advanced flip-chip LED integrated packaging technology was recognized by GSTA as being at an international advanced level. In recent years, integrated packaging technology continued to evolve, which led to significant improvements in integration level, packaging precision and systemization when compared to previous generations of technology and promoted the development of Mini/Micro LED display technology. We closely follow the trend of the advanced LED integrated packaging technology development and are among one of a few companies that possess the requisite expertise of advanced LED integrated packaging technology.

(iii) High-End LED Device Packaging Technology

Our high-end LED device packaging technology encompasses high-precision packaging processes tailored for large-scale manufacturing settings, and application technology of packaging structure design and material selection. The high-reliability anti-corrosion coating technology, the high-precision and high-consistency wire bonding technology and the thin glue die bonding technology help ensure the efficiency of mass production and at the same time maintain the consistent quality of high-end LED devices. Furthermore, we struck a balance between cost and performance by utilizing cutting-edge SMD packaging device structures and superior packaging material selection techniques, which effectively enhanced the light output efficacy and cost-effectiveness of our packaged products.

***Product-Specific Technologies***

Over the past few years, building on our advanced fundamental technologies, we have been focusing on the development of key technologies for LED applications, encompassing intelligent automotive vision, high-end lighting and advanced display. This focus has led to the successful creation of multiple product-specific technologies, tailored for intelligent automotive lamps, automotive-grade LED devices and modules, high-end LED lighting and advanced display.

*Intelligent Automotive Lamp Technology*

As intelligent automotive lamps are more widely adopted, the development of automotive lamps in general is increasingly focused on enhancing road safety through improved illumination and providing more sophisticated light interaction. Our intelligent automotive lamp technology primarily includes optical and thermal structure precision design and process, LED driver control technology, intelligent electronic control technology and vehicle communication protocol and software control technology. Through the application of these technologies, we developed intelligent high-pixel ADB headlamps with a longer illumination distance and intelligent anti-glare functions. ADB headlamps represent a cutting-edge headlamp technology that combines advanced features such as machine vision, precise sensing and array light sources. By perceiving road traffic information signals through sensors, as well as processing, inferring and analyzing this data using their built-in algorithms, ADB headlamps can determine the location and proximity of approaching vehicles and automatically adjust the light beam areas, to achieve segmented brightness control. The intelligent high-pixel ADB headlamps implement the three-in-one design of low beam, high beam and high-pixel ADB, and integrate a number of industry-leading technologies such as composite optics, matrix control and array light source, reducing space taken up by headlamps and providing high-definition lighting. In addition, we developed continuous rear lamp technology to achieve more intelligent safety indications and richer light effects.

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### *Automotive-Grade LED Device and Module Technology*

Designed for automotive applications, our comprehensive range of automotive-grade LED devices and modules are characterized by their high brightness, high power, strong corrosion resistance and durability. For example, we developed technologies that led to the creation of compact, high-brightness, high-power LED devices suitable for ADB headlamps. We also developed low- to medium-power automotive-grade LED devices with strong corrosion resistance, high brightness, high durability and superior optical quality, suitable for rear lamps and interior lighting. We are among one of the first companies in China to develop flip-chip high-power LED technology and products, and to adopt this technology to automotive headlamps. In terms of automotive LED module technology, we developed LED electronic driver platform technology, headlamp lens module technology and electronic control and software control technology, providing key photoelectric control technologies for intelligent vehicle lighting systems.

### *High-End Lighting Technology*

Our high-end lighting device and module technology is designed for applications such as indoor lighting, intelligent lighting, horticultural lighting and other professional lighting venues. Our products are distinguished by their high light quality and high luminous efficacy and can fulfill the requirements of special spectrums. In the field of indoor commercial lighting, we employ flip-chip LED technology and multi-chip integrated packaging technology and align such technologies with the specific characteristics and requirements of indoor commercial lighting. We developed high-density integrated multi-chip COB devices, which can cater to the high-quality lighting needs of upscale commercial venues and deliver superior lighting and color rendering effects. Our COB commercial lighting devices, which offer uniform color distribution, are recognized for their industry-leading technology and performance. In the field of special lighting devices, we achieved high light power output, superior heat dissipation and high reliability for our IR/UV and horticultural lighting devices. Our horticultural lighting technology, specifically the 660nm devices, is at the forefront of the industry in terms of PPE and PPF, with its photoelectric conversion efficiency standing at international leading level, according to CIC.

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### *Advanced Display Technology*

Our advanced display device and module technology enables our products to deliver high color gamut, uniform light color, high photobiological safety and high-power reliability performance when incorporated into specific applications. For slim backlight direct-lit or edge-lit module applications, we focus on designing and optimizing the optical uniformity of our packaged devices, by meticulously selecting and design packaging materials and structures as well as incorporating secondary optics, i.e. optics outside of the LED packages, to ensure the optical uniformity of the backlight modules. In addition, we mastered the latest Mini LED backlight technology. Utilizing Mini LED chips, we design the arrangement of LED chips, driver and optics, and employ high-precision packaging equipment and processes to package a substantial number of LED chips, which enable us to develop advanced display modules for various display applications. Our advanced display device and module products are primarily used in mid- to high-end TVs and monitors. Our high color gamut LED products and Mini LED COB products and their corresponding technologies are all at an industry-leading level.

### **R&D Programs**

We plan to continue to advance in intelligent automotive vision, high-end lighting and advanced display in the near future. The below sets forth some of the key R&D programs for our business.

#### *Intelligent Automotive Vision R&D Programs*

- *Technology and product development of intelligent projection headlamps with ten-thousand-level pixel capacity:* the intelligent projection headlamp technology, featuring ten-thousand-level pixel high definition (HD) capacity, is a high-end industry innovation with substantial market potential. This technology is one of the primary focuses of our development strategy, emphasizing two technological pathways: Micro LED and DLP projection. Leveraging our vertical integration capabilities from LED light sources and modules to the intelligent automotive lamp systems, we aim to swiftly develop and implement intelligent HD headlamp products.



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- *Technology and product development of interactive signal display for automotive applications:* the interactive signal display (ISD) technology and products mainly include intelligent interactive rear lamps, HUD, autonomous driving indication and interaction, etc. We analyze the application needs of future autonomous vehicles from the perspectives of the vehicle, driver and owner of the vehicle, to study and define interactive display application patterns and scenarios. Our R&D efforts encompass high-performance array LED, HD Mini LED displays and software control, alongside driving and intelligent control systems. We aim to realize system integration and deliver automotive-grade intelligent interactive products, thereby facilitating the adoption of such products in the automotive lighting industry.
- *High-power, high-brightness LED devices and modules for automotive headlamp applications:* we intend to continually apply our proprietary flip-chip LED technology to create high-power, high-brightness and high-reliability LED packaging solutions. Our goal is to explore LED packaging materials improvements for headlamp applications. Through the use of high-power ceramic LED packaging, we aim to produce high-power and high-brightness automotive-grade LED devices. In accordance with the lighting needs and related requirements of headlamps, we will study light distribution and heat dissipation at the module level, which involves designing LED-compatible circuit boards, module structures, optical components and heat dissipation units, to produce automotive LED modules.

### ***High-End Lighting R&D Programs***

- *High-reliability, high-brightness, high-power LED packaging devices for outdoor and special lighting applications:* the outdoor and special lighting sectors continually elevate their standards for brightness, photoelectric conversion efficiency and reliability. In response, we focus on the development of superior materials and structures which involves extensive research of LED chips, packaging materials, substrate/leadframe structures and light emission. We are committed to enhancing product performance and surpassing industry benchmarks for brightness, photoelectric conversion efficiency and reliability of high-power LED packaging devices.
- *LED modules and application solutions for special lighting and intelligent lighting:* leveraging our leading R&D technology, advanced packaging techniques, professional design capabilities and innovative design concepts, we will continue to develop in the high-end lighting module field. For instance, in the horticultural lighting sector, we aim to cater to various horticulture application needs, optimize the opto-thermal design of horticultural lighting modules and develop systematic module products. In the intelligent lighting sector, we plan to integrate spectrum sensors, Wi-Fi, Bluetooth and other controllers and software to sample and analyze ambient light, achieving controllable and adjustable lighting effects such as color mixing, brightness adjustment, pulse lighting and dynamic dimming.

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### *Advanced Display R&D Programs*

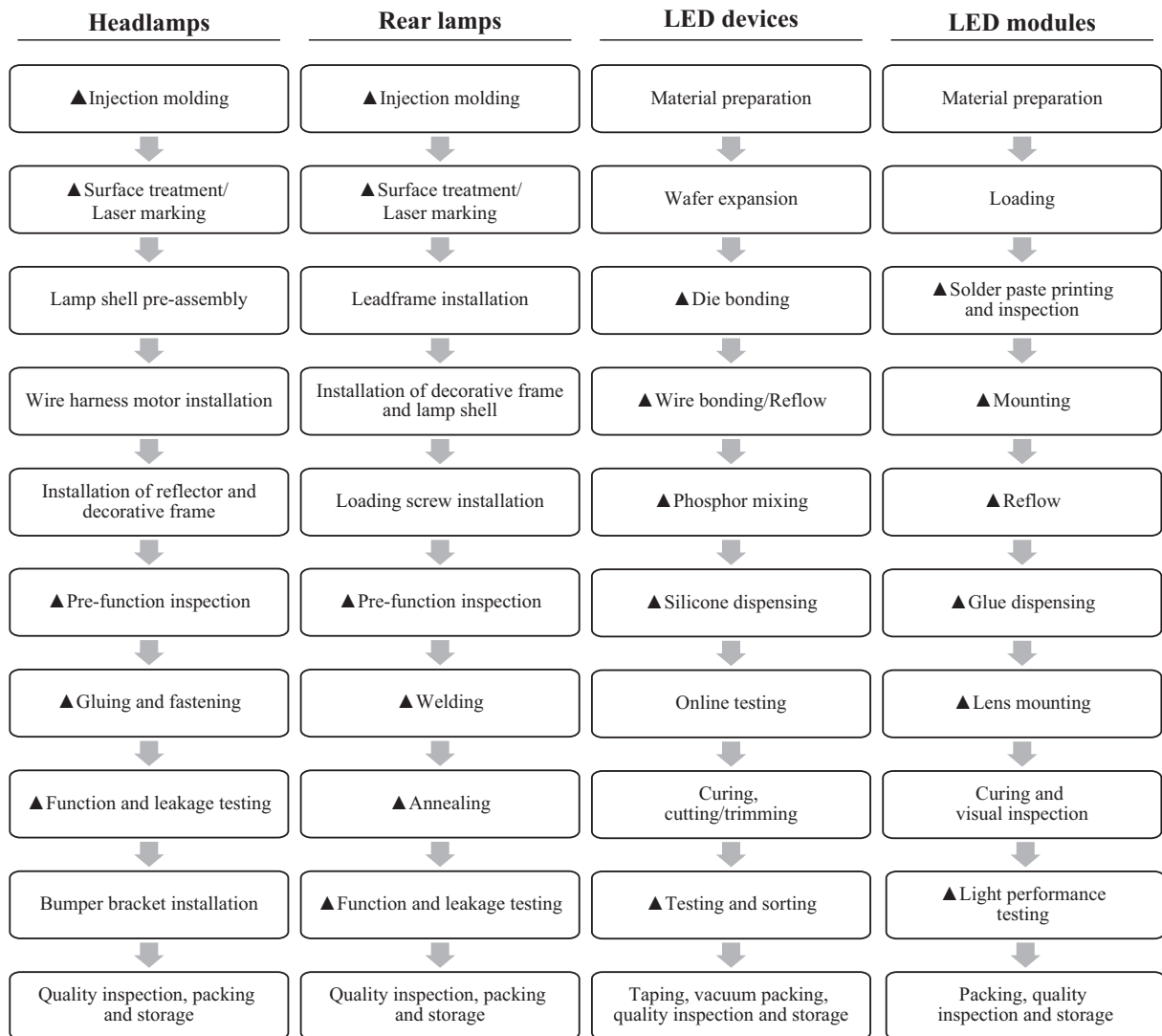
- *Mini LED backlight advanced display products and application solutions:* Mini LED backlight products have become a focus in the advanced display industry, offering substantial market growth potential. Our focus in the Mini LED sector will be on cost reduction and dynamic dimming performance improvement. We aim to reduce costs by increasing the luminous angles of Mini LEDs in low dimming zone (hundred-pixel level) applications, thus decreasing the quantity required. For high dimming zone (thousand-pixel level) applications, our research will focus on achieving more refined and superior quality dimming effects.
- *LED backlight devices and module products with dynamic dimming function:* while dynamic dimming LED backlight modules may not match Mini LED products in contrast, color range and brightness, their affordability has earned them a significant market share. As cost-effectiveness becomes increasingly important for many companies, we aim to enhance the brightness, reliability, and power efficiency of our dynamic dimming backlight devices through research on LED chips materials and packaging. Through local dimming driving IC designs and secondary optical lens designs, we aim to develop cost-effective backlight modules with dynamic dimming functions.

### **PRODUCTION**

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.

**Production Process**

We are committed to the continual development of production process techniques to enhance our manufacturing and production management capabilities and to accelerate the automation and digitalization of our production lines. The length of production cycle is typically calculated from the start of production to the storage of the finished products, based on a batch of products specified in a purchase order. The duration of production varies by product model and the production quantity. Generally, headlamp production requires three to eight days, rear lamp production requires two to six days and LED module production requires two to three days. Automotive-grade LED device production usually requires eight to ten days, whereas other LED devices can be produced within three to six days. The diagram below illustrates key steps of the production process of our intelligent automotive lamps, LED devices and modules.



*Note:*

▲: key steps in the production processes.

- *Key steps in manufacturing intelligent automotive lamps:* during the injection molding process, plastic particles are dried and transported to the screw rod of the injection molding machine, where they are heated to a molten state and pushed into the mold cavity for molding and cooling afterwards. Surface treatment can serve to prevent aging, scratching and fogging, and we provide two types of surface treatment, including surface spraying and vacuum aluminizing. We can also employ laser marking based on requests from our customers. Automotive LED modules are assembled into the headlamps and rear lamps during the phase of installation of reflector and decorative frame and the phase of installation of decorative frame and lamp shell, respectively. We perform optical inspections on lamp semi-assemblies during the pre-function inspection process to identify possible optical path defects or assembly issues in advance. The gluing and fastening process in headlamp production refers to the process of evenly applying glue to the glue tank of the lamp shell and fastening and assembling the semi-finished lamp cover and lamp shell. The welding process of the rear lamp solidifies the lamp body and the lamp cover, and the annealing process serves to destress the lamp cover in order to avoid cracking. During the function and leakage testing process, we conduct optical inspections and gas tightness tests on the assembled automotive lamps.
- *Key steps in manufacturing LED devices:* die bonding is the process of fixing LED chips to a packaging carrier. In the wire bonding process adopted for lateral LED chips, conductive wires are used to realize the electrical connection between the LEDs chip or Zener diode and the packaging carrier, so that the packaging body is electrically connected to the outside. Reflow process is adopted for flip-chip LED chips to achieve electrical connection. The phosphor mixing process mixes phosphor and silicone materials evenly. Then, in the silicone dispensing process, the silicone with high heat resistance and high air tightness along with the mixed phosphor material are dispensed into the reflective cup of the packaging carrier to protect the packaged chip, metal lead and packaged body. We test the photoelectric performance of LED devices through high-speed automated testing machines, which also automatically sort and collect devices with the same optoelectronic properties.
- *Key steps in manufacturing LED modules:* solder paste printing is a process of printing and coating solder paste on the surface of PCBs, enabling subsequent bonding of LED or electronic devices and PCBs. Then, with a surface mounting machine, the devices are accurately placed on the PCBs. The reflow process connects the LEDs and other devices with PCBs mechanically and electrically. Polymer adhesive glue is applied to PCBs to enable the mounting of secondary optical lenses. In the lens mounting process, the

optical lens is precisely placed on top of the LED device to realize the function of LED secondary optics. Light performance testing is conducted by lighting up the assembled LED modules.

### **Production Equipment and Machinery**

Our advanced manufacturing facilities are essential for enhancing product quality and improving cost competitiveness. Many of our machines and much of our equipment are highly automated with limited human operations only in the loading and unloading stages, which allows us to enhance manufacturing efficiency and reduce labor costs. We design, customize and integrate a variety of advanced techniques into our production processes. Some of our critical production equipment was manufactured by top-tier brands in countries such as Japan, Germany and the United States. Set forth below are details of the key machinery and equipment applied in our production processes.

- *For intelligent automotive lamp production:* our intelligent automotive lamp production line incorporates a range of world-leading production equipment and machinery as well as domestically leading assembly lines. Our world-leading intelligent automotive lamp cover molding machines enable us to manufacture different sizes of headlamps and rear lamps with high precision. Our production process incorporates robotic automation for the efficient selection and transportation of parts. In addition, our intelligent automotive lamp cover painting line utilizes an advanced painting system and professional painting robots, capable of rapid painting using environmentally friendly materials. The production technology of our laser beam welding equipment is also at the global forefront, offering high precision, stability, durability and energy-efficient technical support for a wide range of sizes of products.
- *For device production:* we utilize wire bonding machines from top-tier global brands to guarantee the quality of the connection between chip electrodes and leadframes/substrates. We adopted a range of automated machinery, including fully automatic phosphor mixing equipment, to ensure efficiency, precision and high production yield rate of LED packaging. Our testing and visual inspection equipment integrates AI technology, high-precision mechanical structures and thermal imaging technology, among other advanced techniques, to help uphold the quality of our products.
- *For module production:* our laser marking machines, glue dispensing machines, high-speed high-precision SMT machines and other machinery used in the production process of modules are globally or domestically leading in their fields, offering fast and

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reliable support for our product manufacturing. Our advanced vacuum reflow machines could ensure a low void ratio and high quality for high power LED applications such as outdoor lighting, horticulture lighting and automotive headlamps.

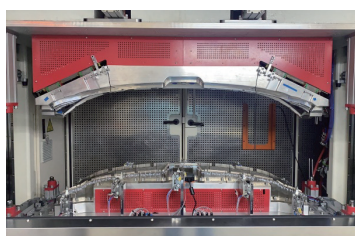
Set forth below are examples of our production lines and equipment.



Headlamp Cover Bicolor Injection Molding  
Equipment



Automatic Headlamp Gluing and Cover  
Fastening Equipment



Synchronous Laser Welding Equipment



High-Speed High-Precision SMT Machine

### Production Bases

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. The table below sets forth some information regarding our production bases as of May 31, 2024.

Production Bases	Location	Gross Floor Area	Primary Products	Construction Completion Year
APT production base . . . . .	Guangzhou	(sq.m.) 30,848.7	LED devices	2012
Linlux production base . . . .	Guangzhou	43,032.7	LED modules	2021
Lynway Ningbo production base . . . . .	Ningbo	29,354.1	Intelligent automotive lamps	2021

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Our production capabilities are designed to align with our customers' demands, ensuring a consistent and reliable supply of products. Set forth below are some of the key features and capabilities of our production bases.

- *APT production base:* our APT production base is located in Nansha District, Guangzhou. It includes a cleanroom level manufacturing facility with an area of approximately 12,000 square meters. The production base is mainly used for the design, development, production and sales of LED devices that are applied to our intelligent automotive vision, high-end lighting and advanced display products.
- *Linlux production base:* our Linlux production base is located in Nansha District, Guangzhou. The production base is used for the design, development, production and sales of automotive modules, high-end lighting modules and advanced display modules that include Mini LED modules.
- *Lynway Ningbo production base:* our Lynway Ningbo production base is located in Ningbo. The production base is mainly used for the design, development, production and sales of our intelligent automotive lamp products, including headlamps represented by pixel-level ADB functions, separate and continuous rear lamps and interior lights, and other types of intelligent automotive vision products, such as automotive HUD products and accessories, automotive electronic and electrical control products, among others. The production lines of our intelligent automotive vision products are well equipped to fulfill the diverse requirements from different automotive OEMs for both EVs and ICE vehicles.



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Set forth below are aerial and interior views of our production bases.



APT production base

Linlux production base

Lynway Ningbo production base

### Production Capacity and Utilization Rates

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		
	Designed Capacity	Actual Production <sup>(3)</sup>	Utilization Rate (%) <sup>(4)</sup>	Designed Capacity	Actual Production <sup>(3)</sup>	Utilization Rate (%) <sup>(4)</sup>	Designed Capacity	Actual Production <sup>(3)</sup>	Utilization Rate (%) <sup>(4)</sup>	Designed Capacity	Actual Production <sup>(3)</sup>	Utilization Rate (%) <sup>(4)</sup>	Designed Capacity	Actual Production <sup>(3)</sup>	Utilization Rate (%) <sup>(4)</sup>
APT production base (kkpcs) <sup>(2)(5)</sup>	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 ('000 bars) <sup>(2)(6)</sup>	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 <sup>(2)(7)</sup>															
Headlamps ('000 sets)	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 ('000 sets)	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

**Notes:**

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



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- (2) The designed capacity of the period is calculated based on the following assumptions: (i) the production base operates 20 hours per day; (ii) the production base operates 25 days in a month; and (iii) we maintain an overall equipment effective (OEE) score of 80%. In accordance with industry norms, we generally reserve 20% of our production capacity to accommodate potential surges in purchase orders and expand production capacity in advance to ensure the satisfaction of the needs of new customers, the launch of new products and the increased demand overall.
- (3) The actual production refers to actual output for the relevant period.
- (4) The utilization rate during the period is calculated by dividing the actual production by the designed capacity for the same period.
- (5) The utilization rate of our APT production base decreased from 93.0% in 2021 to 51.9% in 2022, as our customers stocked up on LED devices in the first half of 2021 due to concerns about potential disruptions to their supply chains caused by COVID-19 and thus prioritized depleting their existing inventory in 2022. The utilization rate of our APT production base remained relatively stable at 54.6% in 2023. 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, primarily due to customers' increased demand for our device products as we continually introduced new products and enhanced product performance.
- (6) The designed capacity of our Linlux production base increased during the Track Record Period, primarily because we established new production lines and purchased production equipment in response to our business development needs and the increase in customer demand.

The utilization rate of our Linlux production base remained relatively stable at 65.6% and 62.7% in 2021 and 2022, respectively, and increased to 78.8% in 2023. The utilization rate of our Linlux production base increased from 62.2% in the five months ended May 31, 2023 to 87.0% in the five months ended May 31, 2024. Such increases were primarily due to (i) the growth of our advanced display business, and (ii) an increase in the supply of automotive LED modules.

- (7) The production lines of our intelligent automotive vision products are well equipped to fulfill the diverse requirements from different automotive OEMs for both EVs and ICE vehicles.

The designed capacity of our Lynway Ningbo production base increased during the Track Record Period, primarily because we established new production lines and purchased production equipment in response to our business development needs and the increase in customer demand. As of May 31, 2024, the annualized designed capacity of our Lynway Ningbo production base reached 469.9 thousand sets for headlamps and 543.1 thousand sets for rear lamps.

The utilization rate of our Lynway Ningbo production base in terms of headlamps increased from 32.5% in 2021 to 70.9% in 2022, and further increased to 76.1% in 2023, primarily due to the increase in headlamp projects that commenced mass production. The utilization rate of our Lynway Ningbo production base in terms of headlamps decreased from 77.3% in the five months ended May 31, 2023 to 56.3% in the five months ended May 31, 2024, primarily because we expanded our production capacity and are currently in the ramp up stage.

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The utilization rate of our Lynway Ningbo production base in terms of rear lamps increased from 50.2% in 2021 to 61.0% in 2022, primarily due to the increase in rear lamp projects that commenced mass production. The utilization rate of our Lynway Ningbo production base in terms of rear lamps decreased from 61.0% in 2022 to 48.6% in 2023, primarily due to the significant increase in the designed capacity in 2023. As we build up more production capacity in advance and continue securing intelligent automotive lamp projects, we are able to expand our customer base and secure more projects. We expect such trend to continue, and the increased number of projects along with improved production efficiency will drive up the utilization rate of the Lynway Ningbo production base. The utilization rate of our Lynway Ningbo production base in terms of rear lamps increased from 52.2% in the five months ended May 31, 2023 to 55.6% in the five months ended May 31, 2024, as we commenced mass-production for a number of rear lamp projects.

### Production Expansion Plan

We plan to focus on the development and increasing the production of our intelligent automotive vision products by constructing new production bases, expanding existing production bases and building new production lines. In response to evolving market demands, we also plan to strategically increase the production of our devices and modules for our business in a timely manner. We develop production expansion plans primarily based on (i) the anticipated supply and demand for the relevant products, (ii) the current and anticipated prices for these products, (iii) the utilization of the existing production facilities and the feasibility of their expansion, (iv) the estimated cost of development and (v) capital resources.

The table below sets forth certain details of our production expansion plans.

Production Base/Production Line	Location	Gross Floor Area	Primary Products	Additional Planned Annual Production Capacity	Estimated Capital Expenditure	Expected Timeline of Commencing Operation
		<i>(sq.m.)</i>			<i>(RMB in millions)</i>	
<b>Production Base</b>						
Lynway Guangdong production base . . . . .	Guangdong Province	100,000	Intelligent automotive lamps	1,400,000 sets	450.0-550.0	The second half of 2025
Lynway Ningbo production base expansion . . . . .	Ningbo, Zhejiang Province	26,000	Headlamps	400,000 sets	235.0-285.0	The first half of 2026

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Production Base/Production Line	Location	Gross Floor Area	Primary Products	Additional Planned Annual Production Capacity	Estimated Capital Expenditure	Expected Timeline of Commencing Operation
		<i>(sq.m.)</i>				<i>(RMB in millions)</i>
<b>Production Line</b>						
Automotive modules production line I <sup>(1)</sup> . . . . .	Guangzhou, Guangdong Province	110	Automotive LED modules	1,440,000 pcs	9.0-11.0	The second half of 2024
Automotive modules production line II <sup>(1)</sup> . . . . .	Guangzhou, Guangdong Province	130	Automotive LED modules	2,400,000 pcs	8.5-10.5	The second half of 2024
Automotive modules production line III . . . . .	Guangzhou, Guangdong Province	110	Automotive LED modules	280,000 pcs	11.0-13.0	The second half of 2024

*Note:*

- (1) 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.

### Maintenance

We conduct thorough and timely maintenance of production equipment and machinery. We conduct regular servicing and maintenance for our major production equipment and power machinery according to predefined schedules. We have established and continually update internal procedures tailored to the unique characteristics and requirements of each piece of production equipment and power machinery. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material or prolonged suspensions of operations due to equipment, machinery or other mechanical failures.

### Delivery and Transportation

We engage independent third-party logistics service providers for our domestic and international product transportation and delivery. Our logistics service providers employ different transportation methods to ensure efficient delivery, including road, air and sea transport, based on the specific requirements and location of our customers. We select and assess our logistics service providers based on a multitude of factors, including, among other things, frequency of on-time delivery, transportation capability, service coverage, pricing and overall service quality. See “Risk

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Factors — Risks Relating to Our Industry and Business — If our logistics service providers fail to provide reliable and timely logistics services, our business, financial condition and results of operations may be materially and adversely affected.”

### SALES AND MARKETING

During the Track Record Period, our products were sold in more than 20 countries and regions, primarily in the Asia, Europe and North America. In 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, our revenue from overseas sales amounted to RMB329.6 million, RMB274.6 million, RMB281.3 million, RMB108.8 million and RMB135.7 million, respectively, accounting for 23.7%, 19.5%, 15.1%, 17.4% and 16.1% of our total revenue, respectively, during the same periods. As of the Latest Practicable Date, our sales overseas were not subject to any specific licensing requirements or regulatory approvals. During the Track Record Period, we did not experience significant seasonality in our sales and orders.

#### Sales Channels

We have an experienced and highly trained sales and marketing team, consisting of 85 personnel as of May 31, 2024, who proactively identify market opportunities and design sales strategies. 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 for the sales of our automotive-grade devices and advanced display products. The table below sets out a breakdown of our revenue 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
<b>Total . . . . .</b>	<b>1,388,380</b>	<b>100.0</b>	<b>1,410,632</b>	<b>100.0</b>	<b>1,858,032</b>	<b>100.0</b>	<b>624,617</b>	<b>100.0</b>	<b>843,193</b>	<b>100.0</b>

#### Direct Sales

During the Track Record Period, the majority of our revenue was from direct sales. In 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, the revenue from direct sales amounted to RMB1,220.7 million, RMB1,261.9 million, RMB 1,718.5 million, RMB585.3 million and RMB780.3 million, respectively, representing 87.9%, 89.5%, 92.5%, 93.7% and 92.5% of the

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total revenue for the same periods. We acquire direct sales customers primarily through our well-established brand reputation and broad product portfolio as well as our marketing and promotion efforts, such as participation in exhibitions and collaboration with industry media to regularly disseminate information about our latest technologies, products and developments.

The salient terms of our direct sales agreements during the Track Record Period are set out below:

- *Duration.* The duration of the direct sales agreements with our direct sales customers is typically one year.
- *Pricing policy.* We sell our products to direct sales customers at price levels that have been agreed with the direct sales customers.
- *Payment.* The payment is done when customers confirm receipt of products. We generally grant credit terms of 60 to 120 days to our customers.
- *Logistics.* We are responsible for delivering our products to locations agreed with our direct sales customers.
- *Transfer of risks.* The risks transfer to direct sales customers after they complete the inspection and confirm the receipt of our products.
- *Return arrangements.* We typically do not allow our direct sales customers to return products to us except for limited reasons, such as product design defects or quality issues.
- *Termination.* Our direct sales customers are typically entitled to terminate the agreement with 60 days' prior written notice.

### ***Channel Partners***

During the Track Record Period, we 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. The supply chain of the automotive industry is highly selective and competitive, and partnering with distributors who are already on lists of the certified suppliers of automotive OEMs allows us to save the costs and effort relating to the supplier

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approval process and supplier qualification maintenance. We commenced cooperation with one of the two distributors in 2023. In 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, the revenue from the two distributors amounted to RMB18.9 million, RMB35.3 million, RMB35.3 million and RMB13.2 million, respectively, representing 1.4%, 2.5%, 1.9% and 1.6% of the total revenue for the same periods. During the Track Record Period and up to the Latest Practicable Date, we had no material unresolved disputes or lawsuits with these two distributors.

We select distributors for the sales of our automotive-grade devices based on a number of criteria, including, among others, their experience, relationships with automotive OEMs and Tier 1 suppliers, technical capabilities and financial condition. We manage these distributors and determine whether to continue our contractual relationships with them based on their performance, and then enter into distribution agreements with them. They directly purchase products from us and are our customers, onselling our products to Tier-1 or Tier-2 suppliers. The distributors purchase automotive-grade devices from us and maintain their own inventories. We control channel stuffing risks through the distribution agreements and measures including (i) keeping track of the information of end customers, (ii) monitoring levels of inventories held by distributors and (iii) establishing an end customer registration system which prohibits any distributor to approach end customers registered by other distributor(s), and thus preventing cannibalization. To mitigate potential stuffing in the channel, upon placing orders, our distributors are required to record the downstream customer information, including project details from automotive OEMs. We can thus monitor our products' usage utilizing such information. We generally do not allow product returns for reasons other than product quality issues. We also generally do not buy back our products except in limited circumstances such as bankruptcies or liquidations of the distributors' business, or termination of distribution agreements with the distributors. We generally provide recommendations on pricing policies as well as support on sales and marketing to our distributors. If we identify any instances of pricing that are deemed too high or too low, we will engage with the distributors to propose and implement appropriate price adjustments.

The salient terms of our distribution agreements with distributors for the sales of our automotive-grade devices during the Track Record Period are set out below:

- *Duration.* The duration of the distribution agreements ranges from one to three years.
- *Credit limits and terms.* We determine credit terms and limits based on the creditworthiness of the distributors. We generally provide a credit term of 120 days to them.
- *Minimum pricing.* Distributors shall follow our minimum guidance prices unless otherwise authorized by us.

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- *Sub-distribution.* We do not allow sub-distribution. Distributors are required to sell our products to end customers who have been pre-approved by us.
- *Warranty.* We provide a warranty period for our products based on product category and the requirements set by automotive OEMs. We are liable for all damage caused by quality issues during the warranty period.
- *Product returns.* Unless for reasons attributable to the distributors, we are generally required to bear the losses and liabilities caused by product returns.
- *Prohibition on goods-fleeing.* Distributors are authorized to sell our products within a designated scope or to end customers pre-approved pursuant to our report system.
- *Termination.* Subject to limitations imposed by laws, we can terminate the distribution agreements immediately if we discover any breach of obligations by the distributors as stipulated by the provisions.

To the best of our knowledge, all of our distributors are Independent Third Parties. The distributors are not connected to any of the Company, its subsidiaries, their shareholders, directors, senior management or any of their respective associates. To the best of our knowledge, besides the ordinary course distribution arrangement with us, there is no other relationship between the distributors and each of our Company, our subsidiaries, our shareholders, directors or senior management or any of their respective associates. Our distributors place orders with us when and to the extent they deem appropriate. In general, our relationships with distributors remained stable.

In addition, during the Track Record Period, we strategically collaborated with one channel partner, Shenzhen MPEG, one of our five largest customers in each period of the Track Record Period, in the advanced display business. With over 20 years of experience in the advanced display industry, Shenzhen MPEG primarily operates in Guangdong province and engages in TV LED backlight modules, as well as digital audio and video products. In addition, Shenzhen MPEG is a designated supplier of two major domestic TV brands, and has long-standing relationships with them. In 2011, with the aim of entering the supply chain of such TV brands, we took the initiative to establish contact and collaboration with Shenzhen MPEG. The collaboration is a strategic move for us and is also a common practice in the industry as it simplifies supplier management for the TV brands. Initially, we primarily supplied LED devices to Shenzhen MPEG who onsold TV LED backlight modules to TV companies upon further manufacturing and assembly. As we achieved vertical integration of our product offerings and demonstrated our technological capabilities along with product cost-efficiency, Shenzhen MPEG opted to procure our advanced display modules directly. Contrary to typical distributors who onsell products to a diverse customer base and actively seek new customers, the procurements made by Shenzhen MPEG were for the fulfillment

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of specific purchase requests from the two major TV brands. It also facilitates customer relationship management and routine after-sale services, thereby allowing us to concentrate on product R&D and delivery. We recognize revenue for the sales to Shenzhen MPEG when the TV brands confirm receipt of our products. In 2021, 2022, 2023 and the five months ended May 31, 2024, the revenue from Shenzhen MPEG amounted to RMB148.8 million, RMB113.4 million, RMB104.3 million and RMB49.8 million, respectively, representing 10.7%, 8.0%, 5.6% and 5.9% of the total revenue for the same periods. Our revenue from Shenzhen MPEG for each period during the Track Record Period was significantly more than that in the two years prior to 2021, primarily due to a shift in the type of products supplied, from devices to modules, with the average selling price of modules being considerably higher than that of devices.

We have a uniform pricing policy for all our customers, with the selling prices fluctuating based on the product specifications and design solutions requested by the TV brands and various other factors. See “— Pricing Policy.” During the Track Record Period, the selling prices of our top three products supplied to Shenzhen MPEG, accounting for over 60% of our revenue from it, were substantially aligned with the prices of similar products offered to other customers. For advanced display products tailored to specific TV sizes, such as 32-inch and 65-inch models, there was a price disparity of around one-third, attributable to differences in the customers’ final products and PCB board designs. These differences resulted in variations in the number of light bars, as well as the quantity of LED chips and lenses deployed per light bar, which in turn affected the cost of the raw materials used. During the Track Record Period and up to the Latest Practicable Date, we maintained a stable relationship and had no material unresolved disputes or lawsuits with Shenzhen MPEG.

The salient terms of our framework agreement with Shenzhen MPEG for the sales of our advanced display products during the Track Record Period are set out below:

- *Duration.* The framework agreement does not have a fixed term.
- *Credit terms.* The credit term we granted to Shenzhen MPEG was in line with the credit terms we generally grant to our other customers.
- *Minimum purchase target.* There is no minimum purchase target set for Shenzhen MPEG.
- *Warranty.* We provide a warranty period of three years as requested by Shenzhen MPEG, during which we are responsible for the repair and replacement of any products with quality or manufacturing defects.



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- *Product returns.* Unless for reasons attributable to Shenzhen MPEG, we are generally required to bear the losses and liabilities caused by product returns.
- *Termination.* Either party may terminate the agreement should the other fail to rectify a breach of contract following due notice.

We believe that channel stuffing risks, cannibalization risks and account receivables' recoverability risks are low in connection with the collaboration with Shenzhen MPEG in the advanced display business. In the agreement with Shenzhen MPEG, we specify the product return and warranty policies. We provide a warranty period of three years, during which we are responsible for the repair and replacement of any products with quality or manufacturing defects. In addition, different TV companies usually have different specification requirements for their procured LED devices and modules, so we manufacture the advanced display devices and modules based on the requirements of the end customers. As a result, the related channel stuffing or inventory risks of the collaboration with our channel partner are low. The credit term we granted to Shenzhen MPEG during the Track Record Period was in line with the credit terms we generally grant to our other customers, and, as such, the risks of account receivables' recoverability are also low.

During the Track Record Period, Shenzhen MPEG was also our supplier. Shenzhen MPEG is a company that engages in TV LED backlight modules and digital audio and video products. Leveraging its industry expertise, market insights and familiarity with our products, it provides services such as customer relationship management, routine after-sale services and market condition and R&D trend analysis for a service fee. Negotiations of the terms of our sales to and purchases from Shenzhen MPEG were conducted on an individual basis and the sales and purchases were neither inter-connected nor inter-conditional with each other. Our Directors confirmed that all of our sales to and purchases from Shenzhen MPEG were conducted in the ordinary course of business under normal commercial terms and on an arm's-length basis. The service fee attributable to Shenzhen MPEG in 2021, 2022, 2023 and the five months ended May 31, 2024 was RMB3.4 million, RMB6.5 million, RMB9.2 million and RMB5.1 million, respectively.

Save as disclosed above, there was no past or present relationship (including business, employment, financing, family, trust or otherwise) between Shenzhen MPEG and us, our Directors, shareholders or senior management, or any of their respective associates during the Track Record Period and up to the Latest Practicable Date.

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### **Our Customers**

Our customers in the intelligent automotive vision business primarily consist of leading automotive OEMs and their Tier-1 suppliers. In 2018, we jointly established a joint venture, Lynway Vision, with Geely Holding to expand our business to cover intelligent automotive lamps, thereby forming an in-depth strategic partnership with Geely. Our products are well recognized by our customers, with intelligent automotive vision products widely applied to various automotive brands such as Lynk & Co, ZEEKR, Lotus and Smart under Geely, and Li Auto, GAC and Changan Auto.

We maintain long-term business relationships with our customers in the high-end lighting business. Due to the different features of our high-end lighting products, we provide our high-end lighting devices and modules to customers across multiple industries. During the Track Record Period, our main customers included well-known companies such as Signify, Samsung, Panasonic and Toyoda Gosei.

Our customers in the advanced display business primarily consist of internationally renowned companies and first-tier domestic TV brands, including Hisense, TCL, Skyworth and Changhong. Our advanced display devices and modules are also applied to the products of LG and Samsung.

During the Track Record Period and up to the Latest Practicable Date, we did not have any disputes or a termination of our contractual relationships with our major customers.

### **Relationship with Geely Related Group**

Since the establishment of Lynway Vision in 2018, we have maintained a strategic business relationship with Geely Holding and many of its related automotive OEMs. See “History, Development and corporate Structure — Major Acquisitions, Disposals and Mergers.” Headquartered in Hangzhou, Geely Holding is a globally competitive and influential smart electric mobility technology enterprise and energy service provider, engaged in automotive, upstream and downstream industry value chains, intelligent travel services, green transportation capacity, digital technology, etc. Geely Holding owns and manages various leading innovative automotive OEMs, which collectively form a strong ecosystem. Members of the Geely ecosystem include Geely Auto, Lynk & Co, ZEEKR, Volvo, Smart, Lotus and certain other automotive OEMs, several of which have adopted new energy-related intelligent technologies. Leveraging this globally innovative automobile ecosystem, Geely Holding is developing new automobile models that adopt a variety of advanced intelligent technologies. As such, it has substantial and ongoing needs for intelligent automotive vision products. Our swift response to the needs of Geely Holding and its related

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automotive OEMs shortens the R&D cycle for intelligent automotive lamp projects, while our innovative products and services support Geely Holding and its related automotive OEMs in developing competitive new automobile models that appeal to the evolving demands of consumers.

Our robust and stable strategic partnership with Geely Holding and its related automotive OEMs is rooted in our strong technological capabilities and reliable production capacity. The collaboration with Geely Holding and its related OEMs helps us better understand the trends in the intelligent automotive vision market. In addition, it also facilitates a more precise design and production process, ensuring that the intelligent automotive lamps we develop are tailored to the specific demands of new automobile models, which not only enhances the functionality and efficiency of our products but also help ensure they are optimized to meet customer's requirements. We were selected as a supplier candidate and secured intelligent automotive lamps projects from Geely Holding and its related OEMs through competitive bidding processes, benefiting from our extensive project experience and our ability to swiftly respond to customers' needs. Leveraging our integration of the industry value chain, our products offerings encompass devices, modules and intelligent automotive lamps. This not only serves to consolidate our long-term strategic cooperation with Geely Related Group but also facilitates the establishment of substantial market presence and the penetration into the supply chains of a diverse customer base. See “— Our Products — Intelligent Automotive Vision” and “— Our Products — Intelligent Automotive Vision — Pipeline of Intelligent Automotive Vision Products.”

During the Track Record Period, we purchased general auxiliary services from subsidiaries of Geely Related Group, one of our five largest customers during the Track Record Period. The auxiliary services we purchased primarily include warehousing services that facilitated our storage and delivery efficiency. According to CIC, it is common in the industry for OEM parts providers to acquire auxiliary services from the OEM related group. Negotiations of the terms of our sales to and purchases from Geely Related Group and its subsidiaries were conducted on an individual basis and the sales and purchases were neither inter-connected nor inter-conditional with each other. Our Directors confirmed that all of our sales to and purchases from Geely Related Group were conducted in the ordinary course of business under normal commercial terms and on an arm's-length basis. The revenue from Geely Related Group in 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024 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. Specifically, revenue from Geely Group was RMB50.6 million, RMB349.9 million, RMB686.2 million, RMB206.2 million and RMB324.5 million in 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, respectively. Meanwhile, revenue from Geely Related Group (excluding Geely Group) was nil, RMB0.2 million, RMB19.6 million, RMB5.2 million and RMB2.2 million in 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, respectively. The service fee

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attributable to Geely Related Group in 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024 was RMB3.4 million, RMB3.6 million, RMB3.8 million, RMB1.2 million and RMB2.1 million, respectively.

Our Directors are of the view that our cooperation with Geely Related Group is in line with industry practice. We maintain a stable and strategic partnership with Geely Related Group. We do not anticipate any adverse changes to the relationship and consider such changes to be unlikely. However, in the unlikely event that our relationship with Geely Related Group deteriorates, we believe that by leveraging our integration of industry value chain and expanding customer base, we are able to continue increasing sales and maintaining and growing market share.

### Major Customers

During the Track Record Period, our major customers were primarily automotive OEMs, lighting companies and TV brands located in China. 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 “Risk Factors — Risks Relating to Our Industry and Business — We are exposed to customer concentration risk.” Among our five largest customers during the Track Record Period, Customer A, Customer B, Customer D and Geely Related Group were top-tier enterprises in the industries in which they operate, according to CIC. As of May 31, 2024, we had maintained business relationships with our five largest customers for four to nine years.

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The tables below set forth information about our five largest customers for each period during the Track Record Period:

### Year ended December 31, 2021

No.	Customers	Background	Products sold	Revenue	% of total revenue	Year of commencement of business relationship with us
				<i>(RMB in thousands)</i>		
1.	Customer A . . .	Founded in 1969, headquartered in the South Korea and listed on Korea Exchange, Customer A is primarily specializing in the manufacture, wholesale and retail of electronic components and the manufacture of semiconductor lighting devices, etc.	High-end lighting and advanced display devices and modules	423,585	30.5	2016
2.	Customer B . . .	Founded in 2016, headquartered in the Netherlands and listed on Amsterdam's Euronext Stock Exchange, Customer B is primarily engaged in the R&D and associated services of electronic and electrical products, lighting products, industrial and household appliances, etc.	High-end lighting devices and modules	255,095	18.4	2015
3.	Shenzhen MPEG .	Founded in 2000 and headquartered in Shenzhen, Shenzhen MPEG is primarily specializing in the R&D and sales of LED and optoelectronic devices, electronic products, and the sales of display devices, optoelectronic devices and new optical materials, etc.	Advanced display devices and modules	148,784	10.7	2015
4.	Customer C . . .	Founded in 1986 and headquartered in Poland, Customer C is an EMS provider of end-to-end solutions for engineering and manufacturing leaders worldwide	High-end lighting devices	96,367	6.9	2018
5.	Customer D . . .	Founded in 1969, headquartered in Shandong and serving as the parent company to four listed companies, Customer D is primarily specializing in the R&D, manufacturing and sales of household appliances, and the R&D, design and sales of LED large-screen displays, interactive intelligent tablets, etc.	Advanced display devices and modules	73,732	5.3	2018
<b>Total . . . . .</b>				<b>997,563</b>	<b>71.8</b>	

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### Year ended December 31, 2022

No.	Customers	Background	Products sold	Revenue	% of total revenue	Year of commencement of business relationship with us
				<i>(RMB in thousands)</i>		
1.	Geely Related Group . . . . .	Grouped by (i) Geely Group, (ii) LI Shufu and his majority-controlled companies other than Geely Group, and (iii) Yaoning Technology, Geely Related Group is primarily specializing in the sales of automobiles, and the manufacturing, wholesale and retail of auto parts and accessories.	Intelligent automotive lamps	350,129	24.8	2020
2.	Customer A . . . . .	Please see above.	High-end lighting and advanced display devices and modules	288,982	20.5	2016
3.	Customer B . . . . .	Please see above.	High-end lighting devices and modules	140,924	10.0	2015
4.	Customer D . . . . .	Please see above.	Advanced display devices and modules	140,250	9.9	2018
5.	Shenzhen MPEG . . . . .	Please see above.	Advanced display devices and modules	113,442	8.0	2015
<b>Total . . . . .</b>				<b>1,033,727</b>	<b>73.2</b>	

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### Year ended December 31, 2023

No.	Customers	Background	Products sold	Revenue	% of total revenue	Year of commencement of business relationship with us
				<i>(RMB in thousands)</i>		
1.	Geely Related Group . . . . .	Please see above.	Intelligent automotive lamps	705,774	38.0	2020
2.	Customer A . . . . .	Please see above.	High-end lighting and advanced display devices and modules	229,076	12.3	2016
3.	Customer D . . . . .	Please see above.	Advanced display devices and modules	192,211	10.3	2018
4.	Customer B . . . . .	Please see above.	High-end lighting devices and modules	135,306	7.3	2015
5.	Shenzhen MPEG . . . . .	Please see above.	Advanced display devices and modules	104,250	5.6	2015
<b>Total . . . . .</b>				<b>1,366,617</b>	<b>73.5</b>	



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### Five months ended May 31, 2024

No.	Customers	Background	Products sold	Revenue	% of total revenue	Year of commencement of business relationship with us
<i>(RMB in thousands)</i>						
1.	Geely Related Group . . . . .	Please see above.	Intelligent automotive lamps	326,739	38.8	2020
2.	Customer D . . . . .	Please see above.	Advanced display devices and modules	100,022	11.9	2018
3.	Customer A . . . . .	Please see above.	High-end lighting and advanced display devices and modules	98,588	11.7	2016
4.	Customer B . . . . .	Please see above.	High-end lighting devices and modules	74,646	8.8	2015
5.	Shenzhen MPEG . . . . .	Please see above.	Advanced display devices and modules	49,767	5.9	2015
<b>Total . . . . .</b>				<b>649,762</b>	<b>77.1</b>	

*Note:*

- (1) Geely Related Group (excluding Geely Group) refers to (i) LI Shufu and his related companies other than Geely Group and (ii) Yaoning Technology and its associates.

LI Shufu and his related companies other than Geely Group include Smart Automobile Sales (Nanning) Co., Ltd., Chongqing LIVAN Auto Research Institute Co., Ltd., Chongqing Livan Automotive Manufacturing Company Limited and Smart Automobile Co., Ltd. Smart Automobile Sales (Nanning) Co., Ltd. primarily engages in the R&D and sales of automobiles and auto parts, and we provided product samples, spares and development services to the company during the Track Record Period. Chongqing LIVAN Auto Research Institute Co., Ltd. primarily engages in the R&D and sales of auto parts, and we provided product samples and development services to the company during the Track Record Period. Chongqing Livan Automotive Manufacturing Company Limited primarily engages in the manufacture and sales of automobiles, and the revenue from the company were attributable to the sales of our intelligent automotive lamps during the Track Record Period. Smart Automobile Co., Ltd. primarily engages in the sales of EVs as well as the development and sales of auto parts, and we provided development services to the company during the Track Record Period.

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Yaoning Technology and its associates refers to Ningbo Jining Auto Parts Co., Ltd. Ningbo Jining Auto Parts Co., Ltd. primarily engages in the development, manufacture and sales of precision auto parts formed through hot stamping and hydraulic forming as well as auxiliary assembly components, and the revenue from the company were attributable to utility settlements.

As of the Latest Practicable Date, none of our Directors, their respective close associates or any of our shareholders (who owned or to the knowledge of Directors had owned more than 5% of our issued share capital) had any interest in any of our five largest customers.

### **Marketing**

We conduct comprehensive research on the future capacity of the relevant markets, predict prevailing and possible trends of technology and products in the industry, and analyze applicable market and policy opportunities and risks while considering our strengths and weaknesses, to formulate our market strategies and plans.

We seek to promote brand awareness and product recognition through multiple marketing channels including trade fairs, media intermediaries, recommendations of industry associations, industry forums, telemarketing, sales agents and our own website and social media handles. Benefiting from our effective marketing strategies, we have been able to generate significant media coverage of our brand and products.

### **Pricing Policy**

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.

### **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. We have a dedicated team of supply chain experts that focuses on establishing and deepening our supplier relationships, enforcing our quality control standards, increasing our bargaining power in the pricing of raw materials and consumables, and implementing comprehensive risk management

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

### **Raw Materials and Consumables**

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 generally do not enter into long-term supply agreements with fixed price arrangements, which is in line with the industry norm, according to CIC. We have adopted comprehensive policies and measures to manage the price fluctuations of raw materials, including, among others: (i) we routinely engage in price discussions with our suppliers on a quarterly, semiannual or annual basis; (ii) we monitor and manage the impact of price fluctuations by keeping safety stock, entering into framework agreements with our suppliers and timely securing the price of subsequent orders through advance payments when the market price fluctuates excessively; and (iii) we regularly monitor the market prices of commodities, such as gold, silver and copper, to anticipate and manage the price volatility of raw materials, and timely adjust our procurement bidding and price comparison processes, so as to mitigate the impact of price fluctuations.

During the Track Record Period and up to the Latest Practicable Date, we did not experience quality issues or shortages with our raw materials and consumables that materially affected our operations.

### **Supplier Management**

#### *Selection and Engagement of Suppliers*

We develop our procurement strategy based on our need for raw materials and consumables, the stability of supplies and the availability of qualified suppliers. 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 security. Therefore, we have adopted a series of supplier management system to stipulate the selection and engagement process, quality standards and regular evaluation and assessment.

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During the initial assessment, we examine the basic information of supplier candidates including registered address, share capital, production capacities and capabilities and system certification. Upon these being satisfied, we review the overall operation system, production process and product qualities. Supplier candidates are required to provide test batches of their products, and our R&D team proceeds to conduct the verification and evaluation process to determine their qualification. Price comparison is conducted when materials or components present similar capabilities and qualities. Qualified suppliers are admitted to our list of approved suppliers and are subject to constant monitoring and monthly evaluation and assessment in terms of procurement, product quality and R&D according to our internal guidelines.

Engagement of suppliers for strategic cooperation or specific projects requires cross-department participation to ensure satisfaction of all technical details. We require written confirmation from our suppliers for guarantees of product quality and compliance with social responsibility requirements for various aspects including environment and safety, health, safety & fire (HSF) compliance, nonuse of conflict minerals, IP and anti-commercial bribery.

Apart from careful evaluation of the capabilities and capacity of existing suppliers, we have also strategically developed in-house manufacturing capabilities with respect to LED devices and PCBA. We dynamically adjust the proportion of in-house manufacturing versus sourcing for components (i) to fulfill production volume requirements and (ii) to maintain the competitiveness of the components that are sourced internally in terms of quality and price.

### *Payment and Credit Terms*

Our stable network of qualified suppliers provides us with the flexibility to mobilize resources effectively and achieve the desired procurement scale. Our comprehensive supply chain management system further bolsters our capacity to deliver superior products at competitive prices, thereby enhancing our efficiency and profitability. We typically seek to enter into long-term agreements with our suppliers. Qualified suppliers are subject to annual evaluation and assessment on their performance, and we generally review and negotiate with our suppliers on an as-needed basis for modification of certain terms of the agreements. Our payment methods include wire transfers, bank acceptance draft and commercial acceptance draft, among others. Our credit terms for procurement are generally between 60 to 120 days, and we typically conduct monthly settlements with our suppliers.

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### *Salient Terms of Agreements with Suppliers*

The salient terms of the typical agreements with our suppliers are set forth below:

- *Duration.* We typically enter into framework agreements without a fixed term with our suppliers.
- *Principal rights and obligations of parties involved.* We specify the product type, product specifications, quantity, delivery timeline and others in each purchase order we place with our suppliers. Our suppliers are obligated to produce the specified type and quantities of qualified products for storage according to the purchase orders and arrange for delivery and shipment based on our needs.
- *Payment and delivery.* We are responsible for timely payment for the purchases to our suppliers, who are responsible for delivering qualifying products at our designated warehouses.
- *Quality assurance.* The materials, process used and performance indicators of the products provided by our suppliers must be completely consistent with the samples submitted or the requirements of contracts. Our suppliers are responsible for the rework, repair or replacement at their own expense once quality issues are detected within 48 hours after receiving our notice.
- *Termination.* We have the right to terminate purchase orders in instances such as late delivery and nonconforming delivery. Either party is entitled to terminate the agreement when the other fails to perform the contract terms with notification.

### **Subcontracting**

During the Track Record Period, we engaged certain subcontractors to produce advanced display LED modules. Demand in the TV market may fluctuate from time to time, often peaking during holiday seasons, promotional activities and major sports events. In addition, the production of advanced display modules requires dedicated production lines. As a result, the production capacity of our advanced display LED modules at times faces challenges in fulfilling the increased customer orders during peak production periods. To manage such fluctuations in the TV market, we engage qualified and reliable subcontractors when we experience high order demands. This approach helps us ensure a smooth transition between peak and off-peak production periods for our advanced display business and better control the production capacity planning. Before placing any purchase orders with our subcontractors, we ensure to seek and obtain our customers' prior approval, as generally required for the engagement of subcontractors. In 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, our subcontracting costs that constitute the cost of sales amounted to RMB25.4 million, RMB21.9 million, RMB18.0 million, RMB5.8 million and

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RMB9.8 million, respectively, which accounted for 2.2%, 1.9%, 1.2%, 1.1% and 1.4% of our cost of sales during the same periods. Costs incurred by subcontracting showed a year-on-year decrease in 2021, 2022 and 2023 as we increased our own production capacity for advanced display products by adding our SMT production lines. The increase in subcontracting costs in the five months ended May 31, 2024 as compared to that of the same period in 2023 was primarily due to the increased customer demand for our advanced display modules. See “Risk Factors — Risks Relating to Our Industry and Business — We may have limited control over the quality, availability and costs of our subcontractors.”

We carefully select subcontractors from a pool of reputable candidates. We evaluate the potential subcontractors in terms of, among other aspects, qualifications, technical skills, product quality, workplace safety and delivery commitments. We require our subcontractors to comply with our internal policies and closely monitor their performance. In the event of any failure by subcontractors to meet our internal policies, we may cease to work with them or claim damages. We apply testing to ensure that the sourced products meet our product specifications, quality standards and customers’ expectations. We have generally maintained long-term relationships with our subcontractors, and all of our subcontractors are independent third parties.

The salient terms of the agreements with our subcontractors are set forth below:

- *Duration.* We typically enter into framework agreements without a fixed term with our subcontractors.
- *Principal rights and obligations of parties involved.* We specify the product type, product specifications, quantity, delivery timeline and others in each purchase order we place with our subcontractors. They are obligated to produce the specified type and quantities of qualifying products for storage according to the purchase orders and arrange for delivery and shipment based on our needs.
- *Minimum purchase.* Typically, no minimum purchase is stipulated.
- *Payment and delivery.* We are responsible for timely payment of the processing fees to our subcontractors, who are responsible for delivering qualifying products to our designated warehouses.
- *Further subcontracting.* Further subcontracting is not allowed without our authorization.

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- *Quality assurance.* Product acceptance shall be carried out in accordance with the samples, drawings, inspection standards and specifications confirmed by both parties. Subcontractors are responsible for quality checking, analysis and replacement free of charge if a quality issue arises.
- *Termination.* We have the right to terminate the purchase orders in instances such as late delivery and nonconforming delivery. Either party is entitled to terminate the agreement when the other fails to perform the contract terms with notification.

### Major Suppliers

During the Track Record Period, our major suppliers primarily include manufacturers 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. Our key suppliers are primarily located in China and we purchase LED chips from both domestic and international suppliers. See “Risk Factors — Risks Relating to Our Industry and Business — 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.” As of May 31, 2024, we had maintained business relationships with our five largest suppliers for three to over years.

The tables below set forth information about our five largest suppliers for each period during the Track Record Period:

### Year ended December 31, 2021

No.	Suppliers	Background	Products provided to us	Purchase amount	% of total purchase amount	Year of commencement of business relationship with us
<i>(RMB in thousands)</i>						
1.	Epistar Corporation . . .	Founded in 1996, headquartered in Taiwan and a subsidiary of a company listed on Taiwan Stock Exchange, Epistar Corporation is primarily engaged in the manufacture and sales of LED epitaxy and chips.	LED chips	300,432	25.9	2008
2.	Supplier B . . . .	Founded in 2012 and headquartered in Jiangsu, Supplier B is primarily engaged in the manufacture and sales of LED chips.	LED chips	110,564	9.5	2015
3.	Supplier C . . . .	Founded in 2013 and headquartered in Guangdong, Supplier C is primarily engaged in the manufacture and sales of LED leadframes and lenses.	Leadframes	37,339	3.2	2012



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No.	Suppliers	Background	Products provided to us	Purchase amount	% of total purchase amount	Year of commencement of business relationship with us
				<i>(RMB in thousands)</i>		
4.	Supplier D . . . . .	Founded in 2008 and headquartered in Guangdong, Supplier D is primarily engaged in the sale of electronic components.	LED devices	26,942	2.3	2017
5.	Supplier E . . . . .	Founded in 2002 and headquartered in Shandong, Supplier E is primarily engaged in the manufacture and sales of semiconductor bonding materials.	Bonding wires	23,146	2.0	2019
<b>Total . . . . .</b>				<b>498,423</b>	<b>43.0</b>	

### Year ended December 31, 2022

No.	Suppliers	Background	Products provided to us	Purchase amount	% of total purchase amount	Year of commencement of business relationship with us
				<i>(RMB in thousands)</i>		
1.	Epistar Corporation . . . . .	Please see above.	LED chips	140,407	12.8	2008
2.	Supplier B . . . . .	Please see above.	LED chips	56,897	5.2	2015
3.	Supplier F . . . . .	Founded in 2015 and headquartered in Fujian, Supplier F is primarily engaged in the manufacture and sales of LED chips.	LED chips	32,457	3.0	2018
4.	Supplier D . . . . .	Please see above.	LED devices	29,825	2.7	2017
5.	Supplier C . . . . .	Please see above.	Leadframes	27,483	2.5	2012
<b>Total . . . . .</b>				<b>287,069</b>	<b>26.2</b>	

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### Year ended December 31, 2023

No.	Suppliers	Background	Products provided to us	Purchase amount	% of total purchase amount	Year of commencement of business relationship with us
<i>(RMB in thousands)</i>						
1.	Epistar Corporation . . .	Please see above.	LED chips	138,657	9.3	2008
2.	Supplier G . . . .	Founded in 1995 and headquartered in Jilin, Supplier G is primarily engaged in the manufacture and sales of drivers.	Electronic components	62,160	4.2	2021
3.	Supplier H . . . .	Founded in 2003, headquartered in Jiangxi and listed on Shenzhen Stock Exchange, Supplier H is primarily engaged in the manufacture and sales of PCB.	PCB board material	43,758	3.0	2021
4.	Supplier B . . . .	Please see above.	LED chips	42,215	2.8	2015
5.	Supplier I . . . .	Founded in 2006 and headquartered in Zhejiang, Supplier I is primarily engaged in the manufacture and sales of lamps, molds and electronic components.	Plastic parts	41,406	2.8	2019
<b>Total . . . . .</b>				328,196	22.1	

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### Five months ended May 31, 2024

No.	Suppliers	Background	Products provided to us	Purchase amount	% of total purchase amount	Year of commencement of business relationship with us
				<i>(RMB in thousands)</i>		
1.	Epistar Corporation. . . .	Please see above.	LED chips	48,958	7.5	2008
2.	Supplier J . . . .	Founded in 2011 and headquartered in Jiangsu, Supplier J is primarily engaged in the manufacture and sales of LED products and electronic components.	Automotive LED modules	28,358	4.3	2020
3.	Supplier G . . . .	Please see above.	Electronic components	23,455	3.6	2021
4.	Supplier B . . . .	Please see above.	LED chips	20,437	3.1	2015
5.	Supplier H . . . .	Please see above.	PCB board material	20,239	3.1	2021
	<b>Total . . . . .</b>			<u>141,447</u>	<u>21.6</u>	

As of the Latest Practicable Date, none of our Directors, their respective close associates or any of our shareholders (who owned or to the knowledge of the Directors had owned more than 5% of our issued share capital) had any interest in any of our five largest suppliers.

Epistar Corporation, one of our five largest suppliers during the Track Record Period, engages in the R&D, production and sales of LED epitaxy and chips. As of December 31, 2023, Epistar Corporation recorded total assets of NTD42,542.9 million, operating revenue of NTD11,207.2 million and operating loss of NTD2,376.7 million. Following its acquisition of our LED epitaxy supplier, Epistar Corporation assumed the role of one of our suppliers in 2007. As our business collaboration evolved, we established a strategic partnership with Epistar Corporation in order to maintain our product quality and the stability of supply chain. In 2010, Epistar Corporation became a shareholder of Advanced Photoelectronic, a member of our Controlling Shareholder Group. As of the Latest Practicable Date, Epistar Corporation and its subsidiaries, Lighting Investment Corporation and Lighting Investment Ltd., owned approximately 21.47% of Advanced Photoelectronic.

We entered into standard framework agreements with all our suppliers including Epistar Corporation, with a few provisions subject to negotiation and modification based on mutual consent, such as credit terms. We generally select suppliers based on various factors, including but not limited to the supplier's ability to offer quality products, cost efficiency, timely delivery, production capacity and valuable customer services. During the Track Record Period, the purchase prices of raw materials from Epistar Corporation generally aligned with those of similar raw

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materials from other manufacturers in the PRC. Certain raw materials such as LED chips from Epistar Corporation have higher prices, primarily due to their superior product quality, the protection of intellectual property rights and the limited availability of substitutes in the market. The procurement of such raw materials is either stipulated by our customers in recognition of the brand influence of Epistar Corporation or driven by our commitment to maintaining high product quality. Since 2021, we have implemented proactive strategies to ensure the diversification and stabilization of our supply chain. During the Track Record Period, purchase amount from Epistar Corporation decreased from RMB300.4 million in 2021 to RMB140.4 million in 2022, and further to RMB138.7 million in 2023, and amounted to RMB49.0 million in the five months ended May 31, 2024. As domestic LED chip manufacturers continue to improve their product quality and cost-effectiveness, during the Track Record Period, the purchase amount of LED chips from domestic chip suppliers as a percentage of total LED chip purchase amount increased from 29.7% in 2021 to 45.3% in 2022, 57.9% in 2023, and further to 85.3% in the five months ended May 31, 2024. In light of their nature and application scenarios, our supply of LED chips was not affected by the international export control regime governing the trade of advanced computing and semiconductor products during the Track Record Period and up to the Latest Practicable Date.

During the Track Record Period, we generated revenue from two affiliates of Epistar Corporation, namely Yenrich Technology Corp. (“**Yenrich**”) and Lextar Electronics (Chuzhou) Corp. (“**Lextar**”), both of which are controlled by the ultimate controlling shareholder of Epistar Corporation. According to CIC, it is not uncommon for group companies operating across various segments of the LED intelligent vision industry to have one subsidiary supply LED chips to an entity, while other subsidiaries purchase LED devices or modules from the same entity, given the different business operations of each subsidiary. We provided high-end lighting devices to Yenrich and advance display products to Lextar during the Track Record Period. Negotiations of the terms of our sales to Yenrich and Lextar and purchases from Epistar Corporation were conducted on an individual basis and the sales and purchases were neither inter-connected nor inter-conditional with each other. In 2021, 2022, 2023 and the five months ended May 31, 2024, revenue from Yenrich amounted to RMB88,000, RMB20,000, nil and nil, respectively. The decrease was primarily due to the shift in Yenrich’s business focus. Revenue from Lextar amounted to RMB7.2 million, RMB9.1 million, RMB48.9 million and RMB25.6 million in 2021, 2022, 2023 and the five months ended May 31, 2024, respectively. The significant increase in 2023 and the five months ended May 31, 2024 was primarily due to the increasing number of advanced display module projects with Lextar that commenced mass production in 2023. We expect that revenue from Lextar will continue to increase in the near future, as we continue to deepen our cooperation with Lextar in the advanced display business.

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Save as disclosed in this prospectus, there was no past or present relationship (including business, employment, financing, family, trust or otherwise) between Epistar Corporation and us, our Directors, shareholders or senior management, or any of their respective associates during the Track Record Period and up to the Latest Practicable Date.

### INVENTORY MANAGEMENT

Our inventory primarily includes raw materials and consumables, work in progress, finished products and contract costs. Our inventories amounted to RMB188.0 million, RMB211.6 million, RMB216.0 million and RMB250.7 million as of December 31, 2021, 2022, 2023 and May 31, 2024, respectively.

Our inventory management is closely linked with our production plans and benefits from our strong relationships with customers and suppliers, which enable us to effectively manage the level of in-progress inventories, mitigate inventory-related risks and enhance our overall operational efficiency. To monitor our inventory levels and minimize obsolete inventory, we have established a strict inventory management system implemented through our ERP system, which also sets out the roles and responsibilities of inventory management personnel. We regularly conduct inventory checks and designate dedicated personnel to safeguard key raw materials and consumables and high-risk chemicals to implement dynamic and static supervision over our inventories. In December 31, 2021, 2022, 2023 and the five months ended May 31, 2024, our inventory turnover days were 58, 61, 51 and 51 days, respectively. See “Financial Information — Description of Certain Components of Our Consolidated Statements of Financial Position — Inventory.”

### 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 comprehensive quality control encompasses all aspects of our operations. It comprises of three major processes: (i) management process (MP), (ii) customer-oriented process (COP), and (iii) support process (SP). Pursuant to ISO9001 and IATF16949 standards, we designate a person-in-charge for each process to guide and supervise the implementation of our quality control measures. We also appoint a quality management representative (QMR) who has the responsibility and authority to take corrective measures when products or processes do not meet our requirements and has the right to order cessation of production and shipments. We established a

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dedicated team with expertise in quality control in 2011. 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. The team is further divided into five functional segments, including systematic quality management, R&D quality management, procurement quality management, production process quality management and customer service management to cover the key procedures of each of the three major processes. As of May 31, 2024, we had more than 200 quality control personnel.

In addition to our internal reviews, we are also subject to external reviews as requested by our customers, which involve both comprehensive and target 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.

Given that our products are marketed globally and must adhere to varying safety standards and quality prerequisites based on their selling locations, we implement applicable quality control systems to ensure compliance and competitiveness. Additionally, we engage independent product testing and certification organizations to ensure our products meet the specific standards of each intended market. For example, we entrust professional third-party testing agencies to conduct safety testing on finished products to ensure that the products meet the requirements of domestic and foreign laws and regulations on hazardous substances. We also engage professional third-party testing agencies to carry out testing of our automotive-grade LED devices to ensure such products meet the relevant automotive-grade certification and qualification standards.

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.

### **Quality Control Measures**

Set forth below are our quality control measures as categorized by the five functional segments.

#### ***Systematic Quality Management***

Systematic quality management is fundamental to our overall quality control process. At the policy level, we have developed the quality and environmental safety manual, the chemical management manual, and various procedures and regulations in accordance with the requirements of IATF16949, ISO9001, ISO14001 and ISO45001. These policies set the basis for implementation throughout our operations, based on which: (i) we formulate and continually update testing

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methods and quality standards for raw materials and consumables procured, work in progress, finished products and contract costs; (ii) supervision over quality control processes are conducted through the persons-in-charge, QMR and our quality control team; and (iii) the accountability system of quality management objectives is established to ensure steady improvement in our product quality.

### *R&D Quality Management*

Our quality control over R&D continues to improve and evolve based on our rigorous product development process, technology innovations, advanced IT systems and a dedicated quality control team. We designed our R&D process in accordance with leading industry practices and strict quality control measures. For example, we established Advanced Product Quality Planning (APQP) in accordance with ISO9001 and IATF16949 to create a quality planning process from the research stage to mass production. We also introduced the PLM system to ensure that each stage of the product R&D complies with the APQP process. See “— Information Technology Systems.”

We invested in an advanced optical laboratory which is equipped with sophisticated, high-precision optical testing equipment. The laboratory was awarded the Advanced Optoelectronic Semiconductor Engineering Laboratory in Guangdong Province in 2019. Furthermore, our inspection center was certified by CNAS in 2017.

### *Procurement Quality Management*

Our procurement quality management streamlines the entire procurement process and further extends to warehousing and production. We adhere to both domestic and international standards for quality inspection and have established a comprehensive execution process that includes introduction, recognition, inspection and the resolution of abnormalities of raw materials and consumables. We apply Incoming Quality Control (“**IQC**”) measures to ensure that we only use raw materials and consumables that meet our quality standards, and request product credentials such as sample acknowledgment and the production part approval process (PPAP) certificates of materials procured from our suppliers before mass production. We engage qualified third-party organizations on an annual basis to conduct tests on our products regarding environmental sustainability and functional efficiency to ensure that our products are in compliance with applicable international and national standards and quality requirements of our customers.

Suppliers are generally subject to monthly gradings. We also conduct annual reviews of key suppliers and increase the frequency of reviews based on product quality and production volume. We closely monitor the sourced materials after mass production and urge suppliers to improve



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product quality in case of noncompliance or major quality incidents. Meanwhile, we conduct on-site reviews at our suppliers' premises to oversee the implementation of our procurement quality management measures.

### *Production Process Quality Management*

We have established a comprehensive production and operation management system, a quality management system and an information management system and platforms to cover the entire process of production process quality management.

Production is conducted pursuant to production guidelines. Our quality testing process includes in-process quality control (IPQC), final quality control (FQC), outgoing quality control (OQC) and ongoing reliability test (ORT) which serve to maintain close control over each key parameter during the production process and, based on quality-related feedback, improve and promote the quality of finished products. We use statistical process control (SPC), measurement systems analysis (MSA) and other tools to regularly monitor product quality and quality changes in real time and to eliminate any defects in the production process.

During the Track Record Period and up to the Latest Practicable Date, we did not receive any written notice or sanction from government authorities for material noncompliance, violation, or recommendation for improvement with respect to our production operations.

### *Warehousing, Packaging and Logistics*

Finished products are packed and stored in our warehouses before being shipped and delivered to our customers. In China, we operate two warehouses in Guangzhou and one warehouse in Ningbo. We have established a standard set of warehousing and transportation processes that enable us to provide products that meet our customers' packaging requirements within the time required. We conduct regular inventory checks on our warehousing status in accordance with internal guidelines. For products to be exported, we have also established a comprehensive process to ensure the timely customs clearance and safety of our products. We have a dedicated team of systematically trained staff to ensure the proper condition and operations of our warehouses and to minimize fire hazards and other similar risks associated with our products.

We engage independent third-party logistics service providers to take responsibility for our domestic and international product transportation and delivery. See “— Production — Delivery and Transportation.”

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### *Customer Service Management*

The warranty periods we provide vary depending on the characteristics of the products sold and are typically specified in the warranty agreements. For our intelligent automotive vision products, we generally provide a three-year warranty period or mileage-based warranty coverage in compliance with applicable regulations and provisions and subject to the specific warranty agreements. For our high-end lighting products and advanced display products, we generally provide a one-year warranty period. The warranty agreements will be entered into according to the customers' templates upon request.

We believe that high-quality after-sales services are critical to our business development as it extends the value chain of our products and promotes customer satisfaction. For LED products, we send our personnel to customers' site to provide customers with user guidance when requested. When we receive customer complaints, our quality control team acts quickly to analyze, determine accountability and conduct risk screening of inventories. Relevant departments will convene meetings to analyze the cause of the defect, formulate improvement measures and undertake precautions to prevent repetitive occurrence. Execution of improvement measures and verification of improvement results is compiled a report to be submitted to the customer. See "Risk Factors — Risks Relating to Our Industry and Business — Any failure to offer high-quality maintenance and support services for our customers may harm our relationships with them and, consequently, our business." We also offer rework services to address any minor discrepancies between the specifications provided by our customers and their production needs. After examining the products, our quality control team formulates rework plans, which our production department then implements. Products will be reexamined by our quality control team to ensure compliance and customer satisfaction before delivery.

We have developed a standard product return procedure which is detailed in our customer complaint handling procedure. When a customer requests return of nonconforming products, the customer needs to provide us with a nonconforming sample and our quality control team shall accept the return request upon determination of any nonconformity. In 2021, 2022, 2023 and the five months ended May 31, 2024, the value of the products returned in terms of revenue accounted for less than 0.15% of our total revenue for the same periods, which were in line with the industry average, according to CIC.

During the Track Record Period and up to the Latest Practicable Date, (i) we had not received any material complaints relating to product quality; and (ii) we had not experienced any product recalls or accidents due to product defects.

### INFORMATION TECHNOLOGY SYSTEMS

IT is fundamental to our competitiveness and efficient operation. We utilize and maintain IT systems which are in line with our business expansion to cater to our diverse operational needs and support various critical functions covering sales, R&D, supply chain, production and after-sales services. We strive to continue optimizing our IT systems. Set forth are our main IT systems:

- *ERP system.* We utilize the enterprise resource planning (ERP) system to effectively facilitate and manage, among others, our operation targets, supply chain, financial management, presales, sales and distribution, procurement, quality control, export management, product structure management, work order management and equipment management. For example, our ERP system enables us to monitor the status of purchase orders from our customers, from acceptance of the orders to completion of their delivery.
- *MES system.* Our production process is supported by the manufacturing execution system (MES), which facilitates real-time tracking of the progress of the whole process from raw material and consumable warehousing, production line to finished product shipment. The system enhances production efficiency across our manufacturing facilities, provides reliable process control and strengthens quality traceability.
- *PLM system.* To ensure the standardization of the R&D process, in 2021, we adopted the product lifetime management (PLM) system. The system helps relevant personnel gain instant access to accurate R&D project progress and data, enabling comprehensive collaboration between our R&D team and other departments.
- *SRM system.* We manage our suppliers through our supplier relationship management system (SRM). The system improves communication efficiency by synchronizing our procurement targets and order information with suppliers, which optimizes the procurement process, reduces procurement costs and risks, promotes supply chain collaboration and improves the efficiency of our supply chain management.
- *WMS system.* We developed our proprietary warehouse management system (WMS) that is more in line with our own business operations. The system tracks the inbound and outbound movements of our products, manages our inventory and enables customer management by label, which caters to our own needs. As a result, it helps solve the problems of system instability and difficulty in matching customer labels with customized shipping requirements, and greatly improves the efficiency of our warehouse operations.

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During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material IT system failure or downtime that had a material adverse effect on our business operations. See “Risk Factors — Risks Relating to Our Industry and Business — Our performance may suffer from business disruptions associated with information technology, system implementations, or catastrophic losses affecting our IT systems.”

### COMPETITION

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. Driven by increasing consumer focus on energy conservation and environmental protection, as well as supportive government policies, LED intelligent vision products and systems have become widely adopted for their energy efficiency and longevity, especially in the automotive intelligent vision market and high-end lighting and LCD TV backlight display market in China.

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. 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. 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. To remain competitive in the market, we will continue to integrate ICs, electronic control, software, sensors, optics and others, with LED intelligent automotive vision products, focus on product development and expand product categories, persistently expanding into high-growth sectors within the LED intelligent vision industry.

In terms of revenue in 2023, 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. 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. We ranked fourth among both domestic and all manufacturers in China’s LCD TV backlight display industry. See “Industry Overview.”

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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. However, we operate in a highly competitive industry. Failure to compete effectively could adversely affect our market share, growth and profitability. See “Risk Factors — Risks Relating to Our Industry and Business — 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.”

### INTELLECTUAL PROPERTY

Our IP rights are key to our success and competitiveness. Our IP rights primarily consist of patents, trademarks, domain names and layout-designs of ICs. As of the Latest Practicable Date, we held 376 patents and 50 trademarks in various countries, of which 369 patents and 28 trademarks are registered in the PRC. In addition, as of the Latest Practicable Date, we had 156 applications for patents in the PRC, 16 domain names and four layout-designs of ICs. As of the Latest Practicable Date, we also had certain in-licensed patents under three licensing agreements with respect to (i) the white LED photoconversion technology primarily used in LED backlight devices, (ii) the potassium fluorosilicate phosphor high color gamut white LED photoconversion primarily used in LED backlight devices and modules, and (iii) the CASN phosphor technology used in LED devices. We consider such in-licensed patents important to our business operations. We also protect our IP rights through a series of confidentiality agreements or provisions with our key employees.

We undertake a proactive approach to managing our IP portfolio. We designate dedicated personnel to handle IP-related issues, whose daily work includes monitoring the application status of IP rights and performing routine checks on the public trademark registration platform to prevent and identify any third-party infringement of our IP rights. We have also engaged IP experts and legal consultants to assist our IP rights protection.

We have implemented various measures to detect potential IP infringements, including market visits by our sales team and hotlines to collect customer complaints and reports. After discovering incidents of infringements, we will require infringers to stop producing and selling related products by delivering notices with the support of our legal consultants, and file industrial and commercial complaints and reports with regulatory authorities with the support of IP experts or legal consultants, if needed.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any threatened or pending disputes relating to the infringement of IP rights that would have a material adverse effect on our business. See “Risk Factors — Risks Relating to Our Industry and Business — We may infringe intellectual property rights of third parties, which can lead us to time-consuming and costly intellectual property infringement claims” and

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“Risk Factors — Risks Relating to Our Industry and Business — We may not be able to protect our intellectual property rights, and our ability to compete could be harmed if our intellectual property rights are infringed by third parties.”

### EMPLOYEES

As of May 31, 2024, we had 2,216 full-time employees, the majority of whom are based in Guangzhou, China. The table below sets forth the number of our employees by function as of May 31, 2024:

	<b>As of May 31, 2024</b>	
<b>Function</b>	<i>Number of employees</i>	<i>% of total employees</i>
Production and supply chain management . . . . .	1,663	75.0
Product and process R&D . . . . .	337	15.2
General and administration . . . . .	131	5.9
Sales and marketing . . . . .	85	3.8
<b>Total</b> . . . . .	2,216	100.0

We place great emphasis on attracting, retaining, training and developing qualified employees. We recruited employees primarily through employment websites, on-campus recruitment and internal referrals during the Track Record Period. Committed to providing fair and equal opportunities to our employees, we formulated career development and promotion path plans covering all levels of our staff and conduct performance evaluations regularly.

As part of our retention strategy, we offer competitive remuneration packages to employees, including salary and allowances, performance-based bonuses and long-term incentive programs, including but not limited to a employee stock ownership plan for managers, high-potential talent and key technical professionals. We have established an annual review system to assess the performance of employees, which forms the basis of our decisions with respect to salary increases and promotions.

We emphasize the importance of training for our employees to enhance their technical skills and overall performance. We provide induction training to new joiners on our culture, business and industry to help them to fit in. We also provide tailored, continuing training sessions by internal and external experts to employees to improve technical skills in their practice areas and management skills training programs, including leadership training, to cadres in key positions.

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We enter into standard labor contracts with our employees and confidentiality and noncompete agreements with key management and professionals.

During the Track Record Period, the total number of dispatched contract workers hired by one of our subsidiaries exceeded 10% of its total number of employees, and it was not fully in compliance with the relevant requirements on temporary, auxiliary and substitutable work. As of the Latest Practicable Date, the subsidiary had proactively rectified such noncompliance incidents by reducing the number of dispatched contract workers to below 10% and adjusting the positions held by dispatched contract workers in compliance with the Labor Contract Law of the PRC and the Interim Provisions on Labor Dispatch. The Interim Provisions provide that employers who violate the relevant provisions of the Labor Contract Law and the Regulation on the Implementation of the Labor Contract Law on labor dispatch shall be subject to the consequences outlined in the Labor Contract Law. As stipulated by the Labor Contract Law, the employers who fail to comply with the relevant requirements on labor dispatch shall be ordered by the labor administrative authorities to make correction within a stipulated period. Where the necessary correction is not made within the stipulated period, the employers may be subject to a penalty ranging from RMB5,000 to RMB10,000 per dispatched worker exceeding the 10% threshold. See “Risk Factors — Risks Relating to Our Industry and Business — We may be subject to fines or other penalties under the PRC Labor Contract Law, which may adversely affect our business, profitability and reputation.” Our PRC Legal Advisor is of the view that we will not be subject to any fines in relation to such noncompliance as (i) an employer will only be fined when it fails to rectify within the stipulated period, according to the provisions of the Labor Contract Law, and (ii) the subsidiary made adequate rectifications in compliance with the Labor Contract Law and the Interim Provisions, as of the Latest Practicable Date.

During the Track Record Period and up to the Latest Practicable Date, our social insurance and housing provident fund contributions did not fully cover all of our employees in accordance with relevant laws and regulations, because, among other factors, (i) some newly-employed staff were in the process of social insurance and housing provident fund transfer, (ii) no contribution was required for the retirees we re-employed, (iii) some employees have requested us not to participate in certain contributions to social insurance and housing provident funds due to personal reasons, and (iv) the implementation and interpretation of the relevant PRC laws and regulations among different local government authorities vary. The shortfall amount of social insurance and housing provident fund contributions is estimated to be RMB12.0 million, RMB16.3 million, RMB18.6 million and RMB9.2 million in 2021, 2022, 2023 and the five months ended May 31, 2024, respectively. Pursuant to relevant PRC laws and regulations, if we fail to pay the full amount of social insurance contributions as required within the stipulated period, we may be subject to fines and late payments. See “Risk Factors — Risks Relating to Our Industry and Business — We may be subject to additional contributions of social insurance premiums and housing provident funds, and late payments and fines imposed by relevant governmental authorities.”



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We obtained credit reports from the provincial credit information platform (the unified platform for credit information collection and query authorized by the government) and written confirmation letters issued by the relevant competent social insurance and housing provident fund authorities confirming that there is no record of any member of our Group being imposed administrative disposition or penalties by the relevant authorities for violation of the laws and regulations in relation to social insurance and housing provident fund contributions. Such written confirmations covering the Company and all of our PRC subsidiaries were issued by (1) in respect of social insurance: (i) Credit China (Guangdong), the provincial credit information platform (the unified platform for credit information collection and query authorized by the government) on November 21, 2023, February 22, 2024 and July 15, 2024, (ii) Ninghai Human Resources and Social Security Bureau (寧海縣人力資源和社會保障局) on February 23, 2024, and (iii) Credit China (Zhejiang), the provincial credit information platform, on June 28, 2024; and (2) in respect of housing provident fund: (i) Credit China (Guangdong) on November 21, 2023, February 22, 2024 and July 15, 2024, and (ii) Ningbo Housing Provident Fund Management Center Ninghai Branch (寧波市住房公積金管理中心寧海分中心) on November 20, 2023 and February 27, 2024, and (iii) Credit China (Zhejiang) on June 28, 2024.

In addition, with respect to social insurance, we obtained written confirmation letters issued by the First Taxation Office of the Taxation Bureau of Nansha District (南沙區稅務局第一稅務所) dated March 21, 2024 and Liyang Taxation Office of the Taxation Bureau of Ninghai County (寧海縣稅務局力洋稅務所) dated March 26, 2024, which confirm that no member of our Group had any arrears. In terms of housing provident fund contributions, our PRC Legal Advisor confirmed with Nansha Sub-center of the Guangzhou Municipal Housing Provident Fund Management Center (廣州市住房公積金管理中心南沙分中心) that it does not expect to initiate any proactive regulatory actions on the overall contribution of employers, and we obtained written confirmation letter from Ningbo Housing Provident Fund Management Center Ninghai Branch dated March 26, 2024, confirming we were not subject to any retroactive contributions.

Pursuant to the Urgent Notice on Enforcing the Requirement of the General Meeting of the State Council and Stabilizing the Levy of Social Insurance Payment (《關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) promulgated in September 2018 by the Ministry of Human Resources and Social Security, administrative enforcement authorities are prohibited from organizing and conducting centralized collection of enterprises' historical social insurance arrears. We undertake to make timely payments for the deficient amount and overdue charges, as soon as requested by the competent government authorities.

Based on (i) the credit reports obtained from the provincial credit information platform and the written confirmations from local social insurance and housing provident fund authorities as stated above; (ii) the written confirmation letters from relevant tax authorities and housing provident fund authorities stated above confirming no arrears or retroactive contributions; (iii)

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assessment of various factors including the nature and amount of the noncompliance; (iv) that as of the Latest Practicable Date, we did not receive any notification from the relevant PRC authorities alleging that we had not fully contributed to the social insurance premiums and housing provident funds and demanding payment of the same before a stipulated deadline; and (v) that as of the Latest Practicable Date, we were also not aware of any employee's complaints or demands for payment of social insurance premiums and housing provident fund contributions, nor had we received any legal documentation from the labor arbitration tribunals or the PRC courts regarding disputes in this regard, our PRC Legal Advisor is of the view that the risk of us being subject to retroactive contributions by relevant authorities in relation to our social insurance and housing provident fund contributions during the Track Record Period is remote.

In addition, as advised by our PRC Legal Advisor, (i) pursuant to the Social Insurance Law, employers will only be subject to administrative penalties if they fail to rectify the noncompliance and pay the required contributions within the stipulated deadline ordered by the social insurance contributions collection institution, and (ii) that employers will be subject to enforcement, rather than penalties, upon failure to make timely payments. Our PRC Legal Advisor is of the view that we will not be subject to any penalties for failure to make timely payments of social insurance and housing provident funds, as we undertook to make full contributions or pay any shortfall within a prescribed time period if demanded by the relevant government authorities. Our PRC Legal Advisor advised that (i) we have not been subject to any administrative penalty in relation to social insurance and housing provident fund contributions during the Track Record Period, and (ii) there was no pending litigation against us in relation to social insurance and housing provident fund contributions as of the Latest Practicable Date. Therefore, the aforementioned issue does not constitute a material legal obstacle for the Listing.

As such, our Directors are of the view that the abovementioned issues in relation to the contributions of social insurance and housing provident funds would not have a material adverse effect on our business, results of operations or financial condition and the risk for any relevant competent authorities imposing administrative penalty or seeking recovery from the Company in relation to any outstanding social insurance and housing provident fund contributions incurred during the Track Record Period is low.

Going forward, we will review our social insurance and housing provident fund contributions on a regular basis and will make social insurance and housing provident plan contributions in accordance with applicable legal requirements. We have reviewed our practice and adopted or plan to adopt the following measures to comply with the regulatory requirements:

- We enhanced our human resources management policies, which explicitly require social insurance and housing provident fund contributions to be made in full in accordance with applicable local requirements;

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- We adopted internal policies governing social insurance and housing provident fund arrangements and contributions according to the requirements of the Labor Law of the PRC and applicable regulations, for the purpose of monitoring and ensuring our compliance with such laws and regulations;
- We designated our human resources department to review and monitor the reporting and contributions of social insurance and housing provident fund on a monthly basis;
- We are in the process of communicating with our employees with a view to seek their understanding and cooperation in complying with the applicable payment base, which also requires additional contributions from our employees. Pursuant to notices issued by the relevant government authorities, the adjustment of payment base is usually made in a designated time each year and such times varies in different regions. Therefore, with our employees' understanding and cooperation, we aim to rectify such noncompliance by 2025;
- Trainings will be provided to the relevant personnel of our human resources department on the social insurance and housing provident fund contributions requirements under the relevant PRC laws and regulations;
- We will consult our PRC legal counsel on a regular basis for advice on relevant PRC laws and regulations to keep us abreast of relevant regulatory developments; and
- We will actively communicate with relevant social insurance and housing fund local authorities to ensure we have the most updated information about the relevant laws and regulations concerning social insurance and housing provident fund. If the relevant authorities order us to pay the outstanding social insurance and/or housing provident funds or take any rectification measures in accordance with applicable laws and regulations, we undertake to make such payments or take such rectification measures promptly within the specified period.

We believe that we generally maintain a good working relationship with our employees, and save as disclosed in the prospectus, we did not experience any significant labor disputes or any difficulty in recruiting staff for our operations during the Track Record Period. See “— Legal Proceedings and Compliance — Legal Proceedings.”

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### INSURANCE

As of the Latest Practicable Date, we believe that our insurance coverage is in line with the industry practice and adequate to cover our key assets, facilities and liabilities, including but not limited to property all risks insurance, comprehensive property insurance, safe production liability insurance, employer liability insurance and cargo transportation insurance (cargo import and export included). We procure insurance policies by type and amount that we consider sufficient and evaluated such insurance policies from time to time based on past experience, changes in production and industry developments. We are committed to minimizing the risks of product liability claims and warranty claims through stringent quality control. However, we may not be able to obtain/purchase adequate insurance for losses and liabilities arising from various operational risks and hazards to which we are exposed. See “Risk Factors — Risks Relating to Our Industry and Business — We may not have sufficient insurance to cover our business risks.”

### OCCUPATIONAL HEALTH AND SAFETY

#### Internal Policies on Occupational Health and Safety

Our operations are subject to relevant laws and regulations relating to employees’ health and safety. For example, in China, we are obligated to comply with a variety of regulatory requirements related to workplace safety, such as the Work Safety Law of the Peoples’ Republic of China (《中華人民共和國安全生產法》). To prevent and reduce risks that may cause workplace damage to employees’ health or company property, we have formulated comprehensive internal policies and measures on environmental, occupational health and safety according to ISO45001, such as the performance monitoring and evaluation management procedures for environmental and occupational health and safety, the environmental health and safety control management procedure and the occupational health surveillance and file management system for workers. We passed the certification review conducted by SGS for our occupational health and safety management system, and thus continue to hold the certificate for the occupational health and safety management system. We undertook self-assessments for the safety production standardization of enterprises as required. During the Track Record Period, we did not have any significant accidents during our operations, and we are not aware of any material personal or property damage claim related to health and occupational safety.

We conduct prejob trainings, environmental safety trainings and a safety awareness test for all new employees. Level III safety education is a key part of the induction process and new employees must pass safety education training before they can begin working. All front-line operation platforms are equipped with safety guidance, and all on-site operators are trained and assessed at least once every six months. As of the Latest Practicable Date, we organized EHS training for more than 4,500 person-times.

### Safety Management Measures

We instituted a dedicated safety management team, tasked with the crucial responsibility of addressing production safety incidents and maintaining records. As of May 31, 2024, our safety management team comprised eight members. The following is a list of key safety management measures we implemented to reduce occupational risks and enhance workplace safety:

- *Comprehensive work safety system.* We have comprehensive safety management system and safety operation procedures in place to satisfy applicable occupational health and safety-related laws and regulations, as well as the relevant requirements of local government regulatory departments. Investigations and management activities are routinely conducted to identify potential hazards, and we implement risk management and control measures at various levels.
- *Work environment examination.* We post occupational hazard notifications and warning signs in the workplace, conduct annual tests on occupational hazards and engage professional institutions on an annual basis to monitor and evaluate environment indicators on wastewater, waste gas, noise, etc.. To ensure satisfactory implementation of our work safety system, we conduct internal evaluations on the effect of occupational hazard control every three years.
- *Equipment inspection and upgrade.* We actively introduce new equipment, processes and materials, and improve existing equipment, processes and materials to reduce or eliminate the impact of occupational hazards.
- *Regular employee training.* New employees are required to undergo the three-level safety education training, and regularly organize trainings related to occupational health, safety and personal protective equipment.

During the Track Record Period and up to the Latest Practicable Date, we did not have any material incidents of work-related injuries or casualties or been penalized for any material noncompliance relating to work safety laws and regulations.

### ENVIRONMENTAL, SOCIAL AND GOVERNANCE

#### Governance

We are committed to fostering enduring and positive impacts on the environmental, social and governance (“ESG”) aspects for our customers, suppliers, and the communities influenced by our operations and are committed to operating our business in a lawful, ethical and responsible way. Our management places significant emphasis on ESG issues and has established and enforced pertinent operational mechanisms.

We believe that the development and execution of robust ESG principles and practices will help in accomplishing our mission and strategic goals. We acknowledge that our business will be affected by relevant environmental and social risks. Therefore, we have adopted comprehensive ESG policies, the Board has clear roles and responsibilities for directly overseeing the Group’s environmental, social and governance performance. Our Board and management are primarily in charge of assessing and evaluating ESG and climate related risks and opportunities, as well as reviewing existing strategies in order to monitor the ESG aspects in the day-to-day business operations of our Group, including implementation of necessary measures to mitigate the potential and relevant risks.

We established a set of internal policies with respect to ESG issues. For environmental matters, we adopted comprehensive policies and procedures related to (i) conservation of energy, (ii) carbon emission reduction, and (iii) treatment of exhaust gas, sewage and solid waste, among other aspects. For social matters, we adopted policies related to (i) production safety, (ii) product quality, (iii) employee health, promotion, compensation, benefits and training, and (iv) community support, donation and volunteer services, among other aspects. For governance matters, we adopted a comprehensive Code of Conduct that encompasses policies on conflict of interest, anti-corruption, etc., and provided regular compliance training for employees to enhance internal regulatory compliance and ethical business practices. We conduct periodic reviews to monitor our compliance with the above policies and procedures.

We formulated a top-down regulatory enforcement mechanism for monitoring and enforcing ESG-related objectives. Our Board reviews ESG and climate related matters, as well as the progress of ESG-related goals at least once a year. Our management reviews the goals, sets and implements policies for improving the Group’s performance regarding ESG and reports to our Board. Our management established policies where various departments of the Group are assigned with ESG-related tasks and responsibilities, including setting goals for reducing carbon emissions, enhancing resource conservation and promoting environmental protection. Such policies are kept in place to maximize the expertise of different departments for yielding the best results by various

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measures. Each department establishes a target implementation mechanism with respect to policy implementation, sets up ESG work plans annually, formulates target responsibility statements, designates relevant persons in charge, and reviews the assigned ESG-related tasks on a quarterly basis.

Our Board is responsible for assessing the risks associated with ESG and climate change, and provides guidance for the management to execute relevant ESG strategies and policies accordingly. The management takes part in encouraging different departments to seek for improvements in ESG strategies, in order to reduce the possible negative impacts on the business operation. The progress of the execution of ESG policies, potential ESG risks that arise from the operation and other material issues are reported to our Board by the relevant management and supervisors of the departments on an annual basis or when necessary.

In addition, we will publish ESG report on an annual basis pursuant to the reporting requirements under the Listing Rules. This will allow our Board to analyze and disclose important ESG matters, risk management, accomplishment and performance of the objectives of the Group.

To ensure regular and effective communication between the Group and the major stakeholders, such as investors, the government, the public and employees of the Group, our management established various communication channels. Our management also ensures internal communication within the Group amongst different departments as well as our Board through Board meetings, investor meetings, monthly meetings, dedicated reports and social media platforms. This allows our Board to evaluate and assess the effectiveness of the abovementioned policies and measures, and to better manage ESG-related issues of the Group.

### **ESG Risk Management and Strategy**

Material ESG-related issues assessment is a three-step process, including:

- **Step 1. Identification of material issues**

Based on the industry research, the materiality maps of MSCI and SASB and comparative industry analysis, we identified a series of sustainability issues relevant to our environment and social impact and performance.

- **Step 2. Ranking of material issues**

We prepared questionnaires to conduct the stakeholder survey, and we ranked the material issues based on the survey results.

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- **Step 3. Verification and establishment of materiality matrix**

We collected and analyzed the survey results and assigned priority levels to the identified issues based on their potential impact. This approach led to the creation of a two-dimensional matrix that clearly demonstrates the importance of each issue to our stakeholders as well as to the business. The results were reviewed by our management and external experts.

These material issues have been thoroughly discussed and managed by the Board. The table below sets forth the six material ESG-related issues we identified that have significant impact on our business.

Material Issues	Impact Period	Potential Impacts and Our Strategies	Targets
Occupational Health and Safety. . . . .	Long-Term	Injuries resulting from accidents, fatigue and improper machinery operation could obstruct our operations to various extents. Preserving the welfare of our workforce is the key to our smooth operation. The Group implements an occupational safety management system that meets ISO 45001:2018 requirements. We develop an annual work plan for occupational safety and health, set annual safety management objectives, and enhance our team’s health and efficiency through the identification and mitigation of hazards, emergency drills, safety training and health screening. During the Track Record Period, we did not have any material non-compliance issues with regard to occupational health and safety. For further details related to our occupational health and workplace safety, please see the paragraph headed “Occupational Health and Safety” in this section.	We take the health and safety of every employee as our primary responsibility, and we strive to ensure that there are no major safety accidents (fatal accidents) and no personal safety accidents with a direct economic loss of RMB3,000 or more.



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Material Issues	Impact Period	Potential Impacts and Our Strategies	Targets
Information Security . . . . .	Long-Term	<p>The integrity of our core business and the protection of our customers' data are essential, as data leakage can lead to time-consuming and costly consequences, resulting in economic losses and diminished competitive edge for enterprises. As of May 31, 2024, we did not suffer from any financial losses as a result of leakage of confidential company information or customer information. To prevent such incidents, we formulated the Confidential Data Management Regulations and Information System Disaster Recovery Plans to reduce the risk of data leakage in the generation, transmission, processing, storage and destruction of data, and to ensure the confidentiality, integrity and availability of data. We enter into confidentiality agreements with employees handling sensitive information to ensure the security of important company data.</p>	<p>We will strictly enforce the Confidential Data Management Regulations and Information System Disaster Recovery Plans to prevent any leakage of confidential company information or customer information.</p>
Employees' Remuneration and Benefits . . . . .	Long-Term	<p>Fair compensation is crucial for employee retention and performance. In addition, a comprehensive benefits package is crucial to boosting job satisfaction, supporting the well-being of our employees, and enhancing our competitive edge. In 2021, 2022, 2023 and the five months ended May 31, 2024, employee remuneration and benefits was RMB181 million, RMB247 million, RMB274 million and RMB132 million, respectively. We adhere to a detailed wage and benefits management program to ensure the protection of employee rights. We promulgated the Welfare and Remuneration Management Regulations to establish a uniform welfare and remuneration system to attract, motivate and retain the talents required for the our business development, and to ensure the compliance of benefits and remuneration payments. We will continue to carry out welfare activities, including all kinds of team building and recreational activities, to enhance the cohesion of the workforce.</p>	<p>We will continue to increase our investment in employee benefits, and we set a target of investing more than RMB5,000 per capita in benefits each year.</p>

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Material Issues	Impact Period	Potential Impacts and Our Strategies	Targets
Energy Consumption . .	Long-Term	<p>As a manufacturer of LED products, energy, especially electricity, is critical to our ordinary production and operations. Against the backdrop of China’s carbon neutrality target and the policy of energy saving and emission reduction, fossil energy sources, energy-consuming equipment and high-carbon products are at risk of being phased out. If we do not take proactive actions, we are likely to incur higher compliance and operating costs and face policy, technical and market risks. We actively increased the proportion of renewable energy used in our operations. For example, we leased our own rooftops to establish a photovoltaic power station in 2022. In pursuit of minimizing energy consumption, we advocate the development of high-efficiency LED products to help our customers realize their energy-saving and emission reduction commitments. We also reduce energy consumption through strategic deployment of the Energy Conservation and Consumption Reduction Management System and the Implementation Rules.</p>	<p>We set an energy consumption target to reduce energy intensity to 217.66 MWh/RMB ten million revenue by 2025.</p>

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Material Issues	Impact Period	Potential Impacts and Our Strategies	Targets
Operational Compliance . . .	Long-Term	<p>Compliance with laws and regulations underpins our operations and reputation. Risks of noncompliance include legal fines, operational setbacks, and reputational damage, which can affect our profits and market presence. In 2021, 2022, 2023 and the five months ended May 31, 2024, our financial investment in meeting operational compliance requirements was RMB334,507, RMB429,591.63, RMB442,604 and RMB261,746, respectively, the cost of meeting operational compliance includes but is not limited to the fee for disposal of hazardous waste, protective equipment and fire extinguishers. We established comprehensive procurement and supplier management procedures as well as a supplier admission and performance review system, giving preference to suppliers with internationally recognized certifications, requiring suppliers to comply with environmental protection laws and purchasing materials in a responsible and sustainable manner. We have a well-established product quality management system that meets the requirements of IATF 16949:2016 and ISO9001:2015. We also provide training on product quality control and management to enhance employees' awareness of compliance. During the Track Record Period, we did not have any material non-compliances with ESG laws and regulations.</p>	<p>We strictly comply with environmental and social related laws and regulations of the PRC to ensure that:</p> <ul style="list-style-type: none"> <li>• No breaches of the laws at the operational level and no penalties imposed by regulatory authorities.</li> <li>• There are no negative news exposures throughout the year.</li> </ul>
Waste Management . . .	Long-Term	<p>Solid waste are environmental pollutants that we generate during our operations. If we do not dispose of them properly, it may result in environmental violations and negative impacts on the environment. In 2021, 2022, 2023 and the five months ended May 31, 2024, our investment in waste treatment and measures to reduce waste generation was RMB93,180, RMB143,412, RMB191,064 and RMB66,290, respectively. We strictly comply with the "Solid Waste Pollution Prevention and Control Law of the People's Republic of China." Internally, we have waste management procedures in place to ensure responsible disposal of hazardous and non-hazardous waste. On the non-hazardous waste side, we are committed to minimizing the generation of such waste and enhancing waste resource utilization through better inventory management and avoiding overstocking. On the hazardous waste side, we engage certified third parties to collect and process.</p>	<p>We set a waste reduction target to reduce waste generation intensity to 4.43 tonnes/RMB ten million revenue by 2025.</p>

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For more details related to the overall risk management and internal control framework, policies, procedures and measures, please see the section headed “Risk Management and Internal Control.”

### **Environmental Protection**

Responsible environmental management can lead to economic and environmental coexistence. We have been complying with the relevant laws and regulations of the country and formulated our internal environmental management documents based thereon, so as to carry out environmental management more efficiently and achieve sustainable development. The main laws and regulations that we abide by include, but are not limited to, the Constitution of the People’s Republic of China, the Environmental Protection Law of the People’s Republic of China, the Law of the People’s Republic of China on the Prevention and Control of Atmospheric Pollution, the Water Pollution Prevention and Control Law of the People’s Republic of China and the Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste.

Our production bases have established and implemented an environmental management system that meets the requirements of ISO 14001:2015 with certification by a third-party. In order to improve the level of environmental management, we establish an annual environmental management program that specifies objectives, measures, budgets, executive departments and responsible persons for important environmental issues and conducts regular review to monitor the progress of the program.

As LED products offer higher energy efficiency and longer life span, the development of LED products and technologies are strongly supported and encouraged by national energy-saving policies. Since the inception of the Company, we have been dedicated to the R&D of LED products to improve luminous efficacy, product reliability and stability. This dedication not only serves to improve our product qualities, but also reflects our strong commitment to environmental protection. Compared with T8 tubes, the saved electricity consumption of LED products we sold in 2021, 2022, 2023 and the five months ended May 31, 2024 were 15,501.77 million kWh, 7,075.84 million kWh, 6,306.28 million kWh and 2,570.50 million kWh, respectively. The corresponding CO<sub>2</sub> emission reductions were 8,840.66 thousand tons, 4,035.35 thousand tons, 3,596.47 thousand tons and 1,465.96 thousand tons.

Our manufacturing processes for LED products generate (i) exhaust gas, sewage and solid waste that if left untreated would have a negative impact on the environment, and (ii) greenhouse gas that may lead to climate-related risks. We are committed to sustainability and environmental protection as we pursue revenue growth and production expansion.

### Metrics and Targets

We monitor the following metrics to assess and manage the environmental and climate-related risks arising from our manufacturing processes:

### Climate Change

Global warming poses a wide range of risks to business operations. We actively identify and monitor climate-related risks and opportunities that may affect our business, strategy and financial performance.

For climate-related physical risks, increased severity of extreme weather due to climate change may cause delay in project planning authorization and implementation, transportation difficulties, supply chain disruptions and negative impacts on workforce, which may result in reduction in our production capacity. Two of our three production bases are located in coastal area which may be vulnerable during extreme weather events. We have developed crisis and emergency management plans to address the increased severity of extreme weather events driven by climate change, thereby reinforcing our operational resilience and commitment to employee health and safety. Furthermore, we closely monitor daily observatory predictions and will promptly notify our employees and other personnel of any related measures in case of extreme weather.

For climate-related transition risks, one of the transition risks is the growing trend for switching to lower-emissions technologies which requires us to increase capital expenditure on low-carbon technologies and product investment. Besides, with evolving policies and regulations, we may be exposed to litigation risks if we fail to address climate change and comply with the relevant policies or regulations. These risks could lead to increased capital expenditures due to the need to construct new facilities and purchase energy-saving equipment, as well as to conduct training on policies and regulations. We will continue to pay attention to national and industry policies as well as consumer preferences, and will adjust our product strategy to cope with the potential transition risks.

For climate-related opportunities, we have observed an increasing demand from customers and a growing regulatory emphasis on the transition to low-carbon products. All our LED products are low carbon emission products and we will seize the opportunity to develop and expand low emission product portfolio. We have increased our R&D investment in more energy-efficient and intelligent products. We are committed to strategically updating our existing products and services to ensure that our business is adaptable to this changing legal and market environment while minimizing our environmental impact.

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The capital expenditures on climate-related risks include investment in energy efficient equipment and renewable energy, as well as operating costs for asset repairs and inventory replacement, etc. The capital expenditures on climate-related opportunities mainly include research and development expenses on low-carbon products. In 2021, 2022, 2023 and the five months ended May 31, 2024, our capital expenditures on climate-related risks and opportunities was RMB24.60 million, RMB22.80 million, RMB31.02 million and RMB13.02 million, respectively.

Under our ESG policy, we have set our goals to optimize our energy utilization and support the national “30-60” carbon peak and neutrality targets to reduce the GHG Emissions. The following table sets forth our greenhouse gas emissions in 2021, 2022, 2023 and the five months ended May 31, 2024, respectively:

<b>GHG Emissions</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>Five months ended May 31, 2024</b>
<b>Total GHG Emissions (tonnes CO<sub>2</sub> equivalent) . . . . .</b>	<b>19,323</b>	<b>21,800</b>	<b>22,651</b>	<b>9,746</b>
Scope 1 — Direct GHG Emission (tonnes CO <sub>2</sub> equivalent) . . . . .	59	44	115	19
Scope 2 — Indirect Energy Emission (tonnes CO <sub>2</sub> equivalent) . . . . .	19,072	21,586	22,284	9,606
Scope 3 — Other Indirect Emission (tonnes CO <sub>2</sub> equivalent) . . . . .	192	170	252	121

*Notes:*

1. The calculation scope of greenhouse gas emissions (Scope 1) includes the refrigeration use in air-conditioning equipment, the trees planted and fuel use of vehicles.
2. The calculation scope of greenhouse gas emissions (Scope 2) includes the indirect emission caused in the production process through purchased electricity.
3. The calculation scope of greenhouse gas emissions (Scope 3) includes the emissions generated from the business air travel, treatment of waste paper and electricity used for fresh water and sewage processing.

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### *Resource consumption*

- **Electricity consumption.** We monitor our electricity consumption levels at the production bases and implement measures such as increasing the use of solar power and equipment modifications to improve energy efficiency. In 2021, 2022, 2023 and the five months ended May 31, 2024, our electricity consumption levels were 34.132 million kWh, 38.578 million kWh, 40.022 million kWh and 17.252 million kWh, respectively. We have set an energy consumption target to reduce energy intensity to 217.66 MWh/RMB ten million revenue by 2025.
- **Water consumption.** We monitor our water consumption levels at the production bases and implement measures such as recycling of water for all equipment and promoting water conservation among employees. In 2021, 2022, 2023 and the five months ended May 31, 2024, our water consumption levels were 214.315 thousand tons, 188.961 thousand tons, 173.254 thousand tons and 80.491 thousand tons, respectively. We have set it as our target to strengthen the promotion of water-saving measures and reduce water consumption.

### *Pollutant management*

- **Exhaust gas discharge.** We monitor our exhaust gas discharge levels on a periodic basis. In 2021, 2022, 2023 and the five months ended May 31, 2024, our exhaust gas discharge levels were 4.83 tons, 4.63 tons, 3.94 tons and 2.03 tons, respectively, and such exhaust gas was properly treated prior to discharge.
- **Sewage discharge.** We monitor our sewage discharge levels on a periodic basis. In 2021, 2022, 2023 and the five months ended May 31, 2024, our sewage discharge levels were 192.88 thousand tons, 170.06 thousand tons, 155.58 thousand tons and 67.85 thousand tons, respectively, and such sewage was properly treated prior to discharge. We have set it as our target to discharge and manage sewage in compliance with national and local regulations.
- **Hazardous waste discharge.** We monitor our hazardous waste discharge levels on a periodic basis. In 2021, 2022, 2023 and the five months ended May 31, 2024, our hazardous waste discharge levels were 18.66 tons, 26.24 tons, 45.76 tons and 19.09 tons, respectively, and such waste was disposed of by qualified third parties. We have set a waste reduction target to reduce waste generation intensity to 4.43 tonnes/RMB ten million revenue by 2025.

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### *Energy Conservation Initiatives*

We actively engage in energy conservation initiatives as part of our commitment to contributing to societal environmental preservation efforts:

#### *Streetlight refurbishment projects under the Energy Management contract Model*

We have undertaken two streetlight renovation projects under the energy management contract model since 2013, being (i) the energy-saving refurbishment project of municipal roads in Nansha District, Guangzhou, and (ii) the streetlight refurbishment project of Jingang Avenue and Gangqian Avenue of Nansha District.

Under the energy management contract model, we supply LED streetlights, with a total number of 1,721 units that include lighting fixtures, smart electronic ballasts, and high-luminous light sources to facilitate the realization of our customers' energy-saving goals. Revenue is regularly recognized over a ten-year period based on the energy saved.

#### *Solar Rooftop Leasing*

To support the implementation of national policies related to energy conservation, emission reduction, and carbon neutrality, we leased our own rooftops in 2022 to establish a distributed photovoltaic power station with an expected installed capacity of 1.1MW (1.1 megawatts), and it features approximately 1,970 crystalline silicon solar panels. The duration of the lease agreement is 20 years, throughout which we enjoy the benefit of availing electricity at reduced rates.

#### *Air-conditioner Replacements*

To further promote energy conservation, we embraced the “Air Conditioner Energy-Saving Solution”, which upgrade air-conditioners and develop digital automated control systems. This innovative approach not only enhances air conditioning efficiency but also contributes significantly to the overall energy reduction strategy. The average annual electricity consumption decreased from 3.73 million kWh into the current 2.74 million kWh.

### **Social Responsibility**

#### *Labor Practice*

We commits to promoting fairness and equality in the workplace and adheres to a policy of transparency and fairness in recruitment and promotion, ensuring that all employees are provided with equal opportunities in matters including recruitment, promotion, welfare protection, and



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career development. Our employment procedures prohibit hiring individuals under sixteen and ensure strict age checks during recruitment to prevent child labor. Special provisions during pregnancy and postnatal periods, with restrictions on heavy labor, overtime, and allowances for breastfeeding.

### Employee Information

Number of Employees	2021	2022	2023	Five months ended May 31, 2024
<b>Total</b> . . . . .	<b>1,727</b>	<b>1,697</b>	<b>1,915</b>	<b>2,216</b>
By Gender				
Male . . . . .	1,004	938	1,044	1,228
Female . . . . .	723	759	871	988
By Employment Type				
Permanent . . . . .	1,282	1,507	1,740	2,097
Temporary . . . . .	445	190	175	119
By Age Group				
Aged Below 30 . . . . .	964	722	765	908
Aged 30 to 50 . . . . .	749	955	1,129	1,283
Aged Above 50 . . . . .	14	20	21	25
By geographical region				
PRC . . . . .	1,719	1,689	1,907	2,208
Hong Kong . . . . .	8	8	8	8
				<b>Five months ended May 31, 2024</b>
Employee Turnover Rate	2021	2022	2023	2024
<b>Total</b> . . . . .	<b>55%</b>	<b>58%</b>	<b>30%</b>	<b>22%</b>
By Gender				
Male . . . . .	57%	66%	31%	26%
Female . . . . .	52%	49%	29%	18%
By Age Group				
Aged below 30 . . . . .	64%	87%	44%	33%
Aged 30 to 50 . . . . .	45%	31%	21%	15%
Aged above 50 . . . . .	9%	18%	15%	17%
By Geographical Region				
PRC . . . . .	55%	59%	30%	22%
Hong Kong . . . . .	0%	0%	0%	0%

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### *Employees' Remuneration and Benefits*

We have established a wage and benefits management procedure to ensure the protection of employee rights. Employee benefits are mainly comprised of statutory benefits and company benefits, covering social insurance, paid annual leave, statutory holidays, holiday and birthday benefits, travelling leave and medical check-up benefits. We will adjust the welfare structure based on the operating results and the market welfare level so as to ensure the stability of existing employees and employee engagement. We have also compiled a union management system to regulate the reasonable use of union funds, devised a list of union-related benefits, and a schedule of activities to promote the physical and mental well-being of employees.

### *Product Responsibility*

Ensuring excellence in products stands at the forefront of our commitment. We have established a comprehensive quality management system to maintain rigorous testing of products before market release, and we also enforce a strict quality control policy, detailed in procedures for incoming inspection management, in-process inspection management and finished product inspection management. We have attained certification in health, safety and service management systems which include, but are not limited to IATF16949:2016 and ISO9001:2015, reflecting our dedication to high quality standards. During the Track Record Period, there were no product recalls due to safety and health reasons, and there were no material complaints related to product quality.

### *Data Security and Privacy Protection*

We communicate to our employees about the handling of customer information, ensuring that access to such information is granted only under sufficiently justifiable reasons. Policies such as Data Confidentiality Management Regulation, and the Disaster Recovery Plan, are in place to secure the company's computer databases and safeguard customer information.

For the protection of employee and job applicant data, we strictly enforce the internal Data Confidentiality Management Regulation, ensuring all personal data is respected and secured. Access to restricted areas, such as financial offices, is prohibited for unauthorized individuals, reinforcing the protection of employee salaries and other confidential information.

### *Operational Compliance*

In the pursuit of upholding the highest standards of ethical conduct and integrity in the operations, we have established a comprehensive Code of Conduct that encompasses policies on conflict of interest, confidentiality, bribery, anti-corruption, and equal opportunity. All violations of

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the Code of Conduct and Business Ethics will be addressed and could lead to termination of the business relationship or employment. To reinforce the principles stated, we have developed an anti-corruption policy and implemented a reporting system to allow for the confidential submission of any instances of perceived or potential misconduct. We have established different reporting channels, including reporting hotline and email, as well as suggestion box, etc. We encourage employees and relevant parties to report any internal violations of discipline or law, fraud and behaviors that damage the Group's interests and image, in an orderly manner. In addition, we conduct anti-corruption training for new employees, introducing the Code of Conduct and anti-corruption laws and regulations to raise their awareness of anti-corruption.

### *Supply Chain Management*

We establish a clear supplier recruitment process and stringent supplier risk management process, with potential suppliers being evaluated on factors including but not limited to product quality, delivery, working capacity, and compliance, also emphasizing the selection of suppliers with internationally acknowledged certifications in environmental and social risk management. Suppliers with energy and environmental management certifications, such as ISO 50001 and ISO 14001, are given preference, reinforcing our commitment to sustainability. We also monitor suppliers through questionnaires and inspection of relevant records on-site when necessary to ensure that our suppliers use environmentally-friendly materials and processes. Local sourcing is preferred to decrease transportation emissions, and supplier engagement and training programs reinforce our commitment to environmental and social responsibility.

In 2021, 2022, 2023 and the five months ended May 31, 2024, our local suppliers amounted to 197, 235, 295 and 306, respectively, and overseas suppliers amounted to three, three, five and six, respectively.

### *Contribution to Community*

We endeavor to undertake our responsibilities as a corporate entity in the society and our communities. We actively participate in social activities encompassing a range of short-term and long-term projects executed in collaboration with local communities and nonprofit organizations. In July 2021, we donated RMB165,000 to Guangzhou Nansha Charity Association (廣州市南沙區慈善會) as a poverty alleviation initiative. During the COVID-19 pandemic in 2022, we volunteered to provide services such as conducting nucleic acid testing and distributing anti-epidemic supplies in our neighborhoods. We signed up for the Nansha Fun Sports Meeting (南沙街道企業趣味運動會) in April 2023 to encourage our employees to exercise for health, while also supporting our social welfare undertakings. In June 2023, we raised supplies for the Caring Market instituted by the "Gulf Community and Party Partners Project (海灣社區黨群合夥人項目)" to promote the harmonious development of the community and assume corporate social

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responsibility. In December 2023, we donated HK\$1.0 million to the Federation of Hong Kong And Guangzhou Associations Charitable Fund (香港廣東社團總會慈善基金) and RMB100,000 to the earthquake-stricken areas in Gansu Province.

### **Industry Social or Policy Trends**

#### ***Tightening Reporting Obligation on ESG***

As standards of regulatory requirements for ESG and climate related issues evolve, we expect that new regulatory requirements on ESG matters will raise our operational and compliance costs. As a solution provider of LED intelligent vision products and systems, we anticipate that the energy saving standards in the PRC will become stricter and the climate-related disclosures aligned with the Task Force on Climate-Related Financial Disclosures (TCFD) will be compulsory after listing, which will increase our costs for meeting the new standards. Under the backdrop of the PRC's commitments to reach peak carbon emissions and carbon neutrality, we noticed the prevailing customer preference for products and companies that are more eco-friendly and have sustainable business operations. Therefore, it is essential that we incorporate sustainability into our business operations and enhance our investment in clean technology in order to retain our customer base, uphold our competitive advantage and effectively deal with the transitional risks. Investing in energy-efficient equipment and spending on technology development may also lead to higher capital costs. The transitional risks may also lead to an increase in cost and expenditure on the R&D of clean technology as well as a potential reduction in revenue due to changes we made. To mitigate such risks, we have set up an ESG governance structure to comply with regulatory requirements and conducted an internal evaluation to measure costs in relation to ESG matters material to us. This ESG governance structure diligently tracks the most recent ESG-related laws and regulations, updating our ESG initiatives as necessary to ensure compliance with the latest regulatory laws and regulations.

#### ***Shift in Customer Preference***

We have observed an increasing demand from customers and a growing regulatory emphasis on the transition to sustainable products.

To cater to the shift in customer preference, we increased our R&D investment in more energy-efficient and intelligent products, thereby enhancing photovoltaic conversion efficiency and satisfying the growing demand for a more intelligent product experience. In 2021, 2022, 2023 and the five months ended May 31, 2024, our R&D investments in energy-efficient products totaled RMB24.6 million, RMB22.8 million, RMB30.4 million and RMB13.0 million, respectively, while investments in intelligent products amounted to RMB36.9 million, RMB47.1 million, RMB50.3 million and RMB31.9 million.

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We continue to enhance the photoelectric conversion efficiency of our energy-efficient products through technological innovation and product design, thereby reducing power consumption. For example, our flagship energy-efficient product, the high-end LED device “3030”, consumes less power while maintaining the same brightness, thereby offering customers greater energy saving.

<b>Parameters</b>	<b>Average LED Products</b>	<b>LED device “3030”</b>
LED device luminous efficiency (Lm/W) . . . . .	160	240
LED luminous efficiency (Lm/W) . . . . .	112	168
LED luminaire brightness (Lm) . . . . .	1,750	1,750
Power (W) . . . . .	15.6	10.4

As living standards improve, customer demand for intelligent product experience gradually increased. We keep increasing our investment in intelligent products. For example, 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. With the increasing customer demand for intelligent product experience, intelligent ADB headlamps will gradually achieve market penetration in the next few years.

## PROPERTIES

We own and lease properties in China. As of the Latest Practicable Date, all of our production bases were located in China. Our corporate headquarters are located in Guangzhou, China.

As of the Latest Practicable Date, none of the properties held or leased by us had a carrying amount of 15% or more of our consolidated total assets. According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempt from the requirements of section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance.

### Owned Properties

As of the Latest Practicable Date, we owned three parcels of land with an aggregate site area of approximately 217,818 sq.m. and 21 properties with a total aggregate gross floor area of approximately 103,576.1 sq.m. in China, which were primarily used for production, warehousing and office purposes.

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As of the Latest Practicable Date, we did not obtain the real estate certificates for eight properties with a total aggregate gross floor area of approximately 29,788.6 sq.m. We did not obtain the real estate certificate for one land parcel with a total site area of approximately 137,741 sq.m. These properties and land parcel have not been involved in any disputes, arbitrations or litigations over ownership. As of May 31, 2024:

- i. we did not obtain real estate certificates for one land parcel and the six properties on this land parcel we used for the Lynway Ningbo production base.

Among the above-mentioned six properties, four properties with a total gross floor area of approximately 29,354.1 sq.m. obtained construction completion and acceptance as confirmed by Ninghai Natural Resources and Planning Bureau (寧海縣自然資源和規劃局). We completed part of the construction of the Lynway Ningbo production base as stipulated in the investment contract with the Management Committee of Ninghai Economic Development Zone (寧海經濟開發區管理委員會). According to the written confirmation issued by Ninghai Natural Resources and Planning Bureau, we may apply for the real estate certificate in accordance with relevant laws and regulations after completing the construction of all planned buildings as stipulated in the investment contract, and completing procedures such as joint acceptance and preparing necessary materials for the certificate. Based on the confirmation above, our PRC Legal Advisor is of the view that there is no material legal impediment for us to obtain the real estate certificates provided that we complete the construction of all planned buildings as stipulated in the investment contract, and procedures such as joint acceptance and preparing necessary materials for the real estate certificates are completed.

Among the above-mentioned six properties, two properties are temporary structures used for temporary canteen and smoking booth with a gross floor area of 295.6 sq.m. and 45.0 sq.m., respectively. As we did not obtain the planning and construction permits for the construction or the acceptance of the construction, according to our PRC Legal Advisor, we may be subject to monetary penalties or be ordered to demolish the structures. We obtained a written confirmation issued by the Management Committee of Ningbo Southern Binhai Economic Development Zone (寧波南部濱海經濟開發區管委會) and the People's Government of Chayuan Township, Ninghai County (寧海縣茶院鄉人民政府), confirming that such temporary structures could be retained temporarily and shall be demolished once the building for R&D (one of the planned buildings stipulated in the investment contract) is completed and put into use, and that the demolition shall be no later than December 31, 2025. We also obtained written confirmations from the Ninghai Municipal Bureau of Housing and Urban-Rural Development (寧海縣住房和城鄉建設局) and the Ninghai Natural Resources and Planning Bureau confirming that we were not subject to any administrative penalty due to violation of any law and

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regulation regarding housing and urban-rural development and land management. We believe that the defects of such owned property would not materially and adversely affect our business, results of operations or financial condition even if we were ordered to demolish the structure, primarily because: (i) the two temporary structures are used for auxiliary purposes and not for production purposes and (ii) the book value of the two temporary structures is relatively low, amounting to approximately RMB0.3 million in total, and the gross floor area of the two temporary structures represents a minor percentage of the total gross floor area of our owned properties. Based on the written confirmations above, our PRC Legal Advisor is of the view that prior to December 31, 2025 the risk of us being subject to penalties or administrative measures with respect to our failure to obtain the relevant permits is remote.

- ii. we did not obtain real estate certificates for the two properties we owned and used for auxiliary purpose as guardrooms in Nansha District, Guangzhou. The two properties with a total gross floor area of 93.9 sq.m. obtained construction completion and acceptance as confirmed by the Administrative Examination and Approval Bureau of Nansha District, Guangzhou (廣州市南沙區行政審批局). According to the written confirmation issued by Nansha District Branch of Guangzhou Municipal Bureau of Planning and Natural Resources (廣州市規劃和自然資源局南沙區分局), we were not in violation of laws and regulations in terms of land transfer, real estate registration and construction application. We believe that the defects of such owned properties would not materially and adversely affect our business, results of operations or financial condition even if we were ordered to demolish the buildings, primarily because: (i) the properties are used for auxiliary purpose as guardrooms and not for production purpose and (ii) the book value of the properties is relatively low, and the gross floor area of the properties represents a minor percentage of the total gross floor area of our owned properties. Based on the communication and written confirmation above, our PRC Legal Advisor is of the view that the risk of us being subject to penalties or administrative measures with respect to our failure to obtain the relevant real estate certificates is remote.

### **Leased Properties**

As of the Latest Practicable Date, we leased 19 properties in the PRC, which were primarily used for office and dormitory purposes.

As of the Latest Practicable Date, among our 19 leased properties, eight lessors failed to provide us with their real estate ownership certificates or proof of authorizations from the property owners. These properties were used for employee dormitories. We believe that the reasons that the lessors failed to provide us with the relevant real estate ownership certificates or proof of authorizations are beyond our control. As advised by our PRC Legal Advisor, without valid real

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estate ownership certificates or proof of authorizations from the property owners, our use of these leased properties may not be valid. In addition, if the lessors do not have the requisite rights to lease these properties, we may be required to vacate these leased properties and relocate our employee dormitories. As advised by our PRC Legal Advisor, in case any such lease is deemed void and we are required to relocate, we are entitled to demand the applicable lessor to return prepaid rent and indemnify us for damages caused by the title defect. In the unlikely event that we are required to relocate due to such title defects, we believe we will be able to easily find alternative properties. In the event that we are required to relocate from the leased properties, we expect that the relocation cost will be less than RMB0.1 million.

### **Potential Legal Consequences**

According to the Urban and Rural Planning Law of the PRC, in the event that a construction project proceeds without securing the requisite planning permit, yet the potential exists for remedial action to negate any adverse effects on the execution of the plan, such rectification must be effected within a designated timeframe. A penalty ranging from a minimum of 5% to a maximum of 10% of the cost of the construction project shall be imposed. Should it prove impracticable to implement corrective measures to mitigate the impact, the construction must be dismantled within a stipulated period. In circumstances where dismantlement is unfeasible, the property or any unlawful gains shall be seized. A penalty not exceeding 10% of the cost of the construction project may be applied concurrently. Should a construction entity undertake temporary construction without the requisite approval, or fail to dismantle the temporary buildings and structures subsequent to the expiration of the approved duration, the local urban and rural planning department is mandated to issue a demolition order to be executed within a specified timeframe. A penalty up to an amount equivalent to the cost of the temporary construction project can be imposed. According to the Measures for the Administration of Construction Permits for Construction Projects, should a construction permit not be secured, the relevant issuing authority is obliged to issue a cessation order on the construction activities. The construction entity must then rectify the situation within a prescribed period, and the authority is entitled to impose a penalty ranging from 1% to 2% of the project's contracted price. Furthermore, pursuant to the Regulation on the Quality Management of Construction Projects, should a construction entity fail to conduct the requisite completion and acceptance procedures for a construction project and proceed to deliver, it shall undertake corrective measures. A penalty ranging from 2% to 4% of the project's contracted price shall be imposed, and compensations shall be made if there were any losses.



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In terms of the two temporary structures used for auxiliary purposes at our Lynway Ningbo production base, we obtained a written confirmation issued by the Management Committee of Ningbo Southern Binhai Economic Development Zone and the People' Government of Chayuan Township, Ninghai County, confirming that such temporary structures could be retained temporarily and shall be demolished once the building for R&D (one of the planned buildings stipulated in the investment contract) is completed and put into use, and that the demolition shall be no later than December 31, 2025. Our PRC Legal Advisor is of the view that prior to December 31, 2025, the risk of us being subject to penalties or administrative measures with respect to our failure to obtain the relevant permits is remote, and the maximum aggregate amount of potential penalties for such noncompliance is approximately less than RMB0.5 million.

In terms of the leased properties for which eight lessors failed to provide us with their real estate ownership certificates or proof of authorizations from the property owners, our PRC Legal Advisor is of the view, and the Sole Sponsor concurs that we, as the tenant, will not be subject to any administrative punishment or penalties from the real estate authorities in this regard.

Our PRC legal Adviser is of the view, and the Sole Sponsor concurs that the Group has taken all practicable and reasonable steps to rectify the title defects of the relevant owned and leased properties.

As advised by our PRC Legal Advisor, since we do not fall within the high fire risk category according to the Implementation Measures for the Fire Safety Responsibility System, the establishment of a fire safety assessment mechanism is not required, and the Sole Sponsor concurs such view. During the Track Record Period, we did not engage any third party consultant to inspect and evaluate the fire safety risks of the properties with title defects. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any administrative penalties with respect to fire safety in relation to the above mentioned two temporary structures used for auxiliary purposes at our Lynway Ningbo production base and the leased properties for which eight lessors failed to provide us with their real estate ownership certificates or proof of authorizations from the property owners.

### **LICENSES, APPROVALS AND PERMITS**

As advised by our PRC Legal Advisor, as of the Latest Practicable Date, we had obtained all requisite certificates, licenses, permits and approvals from the relevant authorities that are material for our operations in the PRC and such certificates, licenses, permits and approvals are valid and effective.

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### LEGAL PROCEEDINGS AND COMPLIANCE

#### Legal Proceedings

We may from time to time become a party to various litigation, arbitration or administrative proceedings arising in the ordinary course of our business. See “Risk Factors — Risks Relating to Our Industry and Business — We may be subject to complaints, disputes and lawsuits in the ordinary course of our business.”

In 2022, a former employee with Lynway Vision lodged a labor arbitration case with the local labor arbitration committee against Lynway Vision, demanding payment of unpaid annual bonus, equity incentive compensation, wages, compensation for arrears of wages and economic compensation for arrears of wages, amounting to approximately RMB5.0 million. In 2023, the arbitration committee issued an arbitral decision dismissing all these claims. Subsequently, the plaintiff brought a lawsuit to the local people’s court. In January 2024, the court ordered the subsidiary to pay the plaintiff a pre-tax total of approximately RMB4.1 million, covering the annual bonus and equity incentive compensation. As of December 31, 2023, we had made provisions of RMB4.1 million for such judgment. We appealed with the appellate court in January 2024. The court conducted a trial in March 2024 and rejected our appeal in April 2024. We made the payment in accordance with the judgment in May 2024.

Our Directors and our PRC Legal Advisor are of the view that the above-mentioned litigation would not have a material impact on our operations or financial conditions, since the monetary amount involved in the litigation was relatively small.

To the knowledge of our Directors, there was no litigation, arbitration or administrative proceeding pending or threatened against us or any of our Directors that could cause a material and adverse effect on our business, financial conditions or results of operations during the Track Record Period and up to the Latest Practicable Date.

#### Compliance

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material incidents of noncompliance. Our Directors are of the view that we had complied, in all material respects, with all relevant laws and regulations in China during the Track Record Period and up to the Latest Practicable Date.

### **RISK MANAGEMENT AND INTERNAL CONTROL**

We have formulated and implemented comprehensive risk management and internal control policies that span various aspects of our business operations to oversee and address a spectrum of operational, financial, legal and market risks that may be or have been identified in connection with our operations. These comprehensive risk management and internal control are supported by our specific monitoring and reporting procedures and systems as outlined in the relevant policies. Our Board bears the responsibility for overseeing our overall risk management, ensuring that our risk management policies are not only implemented but also regularly reviewed and updated to reflect the changing business environment.

We established a dedicated risk management and internal control team which takes responsibility for establishing risk management and internal control policies, conducting internal audit, providing internal control consultation and guiding any rectification.

#### **Business Operational Risk Management**

We have established a series of internal procedures to manage business operational risks including risks related to incomplete or problematic internal processes, personnel mistakes, IT system failures and external events. We take a comprehensive approach to operational risk management and implement a mechanism with detailed and decentralized responsibilities, clear rewards and penalty systems. Our business operations, finance, IT and human resources departments are collectively responsible in ensuring that our business operations comply and conform with internal procedures. On the occurrence of a major adverse event the matter will be escalated to our senior management and the Board of Directors may need to take appropriate measures. Through effective business operational risk management, we expect to control operational risks within a reasonable range by identifying, measuring, monitoring and containing operational risks to reduce potential losses.

#### **Financial Reporting Risk Management**

We have in place a set of accounting policies in connection with our financial reporting risk management including financial report management policies, budget management policies, financial statements preparation policies and financial department and staff management policies. We have various procedures in place to implement accounting policies and our financial department reviews our management accounts based on such procedures. We also provide regular training to our financial department staff to ensure that they understand financial management and accounting policies and implement them in our daily operations. As of May 31, 2024, our finance department comprised 23 employees.

### **Intellectual Property Risk Management**

See “— Intellectual Property.”

### **Human Resources Risk Management**

We provide regular and specialized training tailored to the needs of our employees in different departments. Our human resources department regularly organizes internal training sessions conducted by internal or external experts on topics of interest. Our human resource department schedules online training sessions, reviews the content of the training programs and follows up with employees to evaluate the impact of such training. Through these trainings, we ensure that our staff’s skill sets remain up-to-date, enabling them to better discover and meet consumers’ needs.

We have in place an employee handbook approved by our management and distributed to all of our employees, which contains internal rules and guidelines regarding best commercial practices, work ethics, fraud prevention mechanism, negligence and corruption. We provide employees with regular trainings and resources to explain the guidelines contained in the employee handbook.

We also have in place an anti-corruption policy to safeguard against any corruption within our Company. The policy explains potential corruption conducts and our anti-corruption measures. We make our internal reporting channel available for our staff to report any corruption acts and our staff can also make anonymous reports to our internal audit department. Our internal audit department is responsible for investigating any reported incidents and taking appropriate measures. We also have regular training for employees regarding the anti-bribery policy to facilitate implementation of the policy. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any anti-bribery incident by our employees in relation to our customers.

### **Investment Risk Management**

Our investment strategy is grounded in the principles of compliance, prudence, safety and effectiveness. We consider the following criteria in making investment decisions:

- size, expected returns and associated risks;
- compliance with applicable laws and regulations;
- consistency with our growth strategy;

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- appropriateness of enterprise resource allocation; and
- optimization of our portfolio.

We set up investment plans in line with our business strategies with inputs from various business departments. An investment budget is set up based on our business strategies every year. We generally intend to hold our investments for the long term. With surplus cash on hand, we may also make investments in cash management products to generate finance income at a yield higher than the current bank deposit interest rates, with an emphasis on capital preservation. Each investment decision is made based on internal vetting and discussions, considering factors such as market dynamics, expected returns and risks involved.

We believe that our internal strategy and policies regarding investments and the related risk management mechanisms are adequate, and that our investment decisions have been in full compliance with our investment strategy and policies.

### AWARDS AND RECOGNITIONS

During the Track Record Period, we received awards and recognitions with respect to our products, intellectual properties and R&D capabilities, including but not limited to the following:

<u>Award/Recognition</u>	<u>Award Year</u>	<u>Awarding Institution/Authority</u>
Top 10 Health Lighting Brands (十大健康照明品牌) . . . . .	2024	Guangdong Illuminating Engineering Society (廣東省照明學會)
Excellence and Innovation Award of the Guangzhou Semiconductor Industry Association (廣州市半導體協會卓越創新獎) . . . . .	2023	Guangzhou Semiconductor Industry Association (廣州市半導體協會)
Enterprises with outstanding contributions to advanced manufacturing industry (Year 2022) (先進製造業突出貢獻企業(2022年度)) . .	2023	Guangzhou Nansha District Enterprise and Enterpriser Confederation (廣州市南沙區企業和企業家聯合 會)
Innovation Award of the 11th China Information Technology Expo (第十一屆中國電子信息博覽會創新獎) . .	2023	The organizing committee of the 11th China Information Technology Expo (第十一屆中國電子信息博覽會)

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Award/Recognition	Award Year	Awarding Institution/Authority
Specialized, Refined, Distinctive and Innovative SME (APT) (專精特新中小企業(晶科)) . . . . .	2023	Department of Industry and Information Technology of Guangdong Province (廣東省工業和信息化廳)
The 9th China LED Convention Award — 2021 Top 50 Enterprises in China's LED Industry in respect of Intellectual Property (第九屆中國LED首創獎 — 2021年度中國LED行業知識產權50強企業) . . . . .	2022	The organizing committee of the China LED Convention (中國LED首創大會)
2021 Provincial Digitized Workshop (Lynway Vision) (2021年度省級數字化車間(領為視覺)) . . . . .	2022	Ningbo Municipal Economic and Information Technology Bureau (寧波市經濟和信息化局)
2021 Gasgoo Awards on Top 100 Chinese Novel Automotive Supply Chains (2021中國汽車新供應鏈百強金輯獎) . . . . .	2021	Gasgoo (蓋世汽車)
High Quality Development Award in China's Lighting Industry (中國照明行業高質量發展獎) . . . . .	2021	Guangdong Technology Innovation Alliance of Light Environment Industry (廣東省光環境產業技術創新聯盟)
Guangdong Advanced Optoelectronic Semiconductor Engineering Laboratory (New Generation Information Technology) (廣東省先進光電半導體工程實驗室(新一代信息技術)) . . . . .	2021	Guangdong Provincial Development and Reform Commission (廣東省發展和改革委員會)
Guangdong Intellectual Property Demonstration Enterprise (廣東省知識產權示範企業) . . . . .	2021	Guangdong IP Protection Association (廣東知識產權保護協會)