
FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See “Business — Our Strategies” in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK\$64.1 million from the Global Offering, after deducting the underwriting fees, commissions and estimated expenses payable by us in connection with the Global Offering, assuming the Offer Size Adjustment Option is not exercised and based on the Offer Price of HK\$3.61 per Offer Share.

At an Offer Price of HK\$3.61 per Offer Share, we currently intend to apply these net proceeds for the following purposes:

- approximately 70.0% of the net proceeds, or HK\$44.8 million, will be used for expanding our production capacity in intelligent automotive vision in an effort to continue promoting its development, meeting customer demands, optimizing our geographic network and further increasing our market share. As the LED intelligent vision industry undergoes vigorous development and rapid technology iteration, we remain dedicated to the development of the intelligent automotive vision business. During the Track Record Period, our intelligent automotive vision business experienced substantial growth. Revenue from intelligent automotive vision increased significantly from RMB74.3 million in 2021 by 438.0% to RMB399.7 million in 2022 and further increased by 92.9% to RMB771.0 million in 2023. Revenue from intelligent automotive vision 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. We expect that such trend will continue as we have achieved economies of scale, demonstrated our technological capabilities and succeeded in passing supplier qualification audits conducted by various leading automotive OEMs. In the meantime, China’s intelligent automotive vision industry, with its market size expanding at a CAGR of 14.4% from RMB88.7 billion in 2023 to RMB174.2 billion in 2028, has also witnessed a substantial trend towards domestic substitution. In line 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 increased demand overall. We plan to expand our production capacity, further enhance our customer coverage and product and service delivery capabilities and improve the competitiveness of our intelligent automotive vision products through such investment and construction plan.

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In particular, we plan to establish Lynway Guangdong production base¹, considering the increasing purchase orders from south China and leveraging our capabilities of vertical integration of industry value chain as well as our strong presence and talent pool in south China. The new production base is projected to span an estimated total construction area of 100,000 sq.m. It is expected to commence operation in the second half of 2025. We plan to invest in: (i) acquisition of lands for the construction of the production base, (ii) construction of the production base, which includes the construction of separate functional areas for the production process, logistics and power, to support the process requirements for injection molding, spraying, aluminizing, mold repair and assembly, and (iii) purchase of production equipment and machinery such as headlamp cover coating lines, injection molding equipment and assembly lines for headlamps and rear lamps. We plan to increase the annual designed capacity by 700,000 sets of both headlamps and rear lamps, respectively, to further enhance coverage of downstream automotive OEMs located in south China.

The following table sets forth the expected investment breakeven time, investment payback period and estimated breakeven production volume for the proposed production capacity expansion⁽¹⁾:

	Expected investment breakeven time⁽²⁾	Expected investment payback period⁽³⁾	Estimated breakeven production volume⁽⁴⁾
Establishment of Lynway Guangdong production base ⁽⁵⁾ .	In 2027	7.2 years	700,000 sets

Note:

- (1) The information in the table is calculated based on our best estimation and on a series of assumptions speculative in nature and may not reflect actual circumstances.
- (2) The establishment of production base will achieve investment breakeven when the revenue is equal to the cost and expenses for that accounting period on accrual basis. The time required to achieve investment breakeven depends on various factors, including but not limited to general economic and market conditions, market competition, utilization rate and price of raw materials.

¹ Such construction is currently at planning phase, with production and building operations yet to commence. The construction plan may undergo necessary modifications based on further regulatory consents, market conditions and practical execution among other factors. We are committed to diligently completing the requisite filing processes and securing the necessary approvals within the appropriate timeframes, which encompass, among others, NDRC filings and environmental impact assessment (EIA) approval procedure.

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- (3) The investment payback period is the time required for the accumulated operating cash flow since the commencement of business operation is able to cover the total investment amount. The time required to achieve investment payback varies depending on various factors, including (i) the capital investment such as costs of machinery and equipment; and (ii) level of profitability achieved.
 - (4) The breakeven production volume is calculated based on the overall production volume of the production base/line of the year when such plan achieves breakeven.
 - (5) Assuming the commencement of operations occurs around the second half of 2025 for the Lynway Guangdong production base.
- approximately 20.0% of the net proceeds, or HK\$12.8 million, will be used for technological innovation and product upgrades to continually improve our technologies, accelerate our R&D on cutting-edge technologies, optimize and expand our product pipeline and expand our R&D team. We are dedicated to advancing our products towards enhanced intelligence, integration, and systematization. In particular:
 - approximately 10.0% of the net proceeds, or HK\$6.4 million, will be used to establish an R&D center. Complementing our existing R&D center and CNAS-certified laboratories, which are dedicated to the R&D of LED devices and modules, our new R&D center will specialize in the development of intelligent automotive lamps. The new R&D center is designed to bolster our Lynway Guangdong production base by undertaking R&D for new projects from diverse automotive OEMs and facilitating customer development in South China, leveraging its proximity to the production base. The construction of the R&D center is expected to commence in the second half of 2024 and be completed by the end of 2025. In particular, we plan to use (i) approximately 6.0% of the net proceeds, or HK\$3.8 million, to upgrade the technologies to be deployed in the R&D programs in the intelligent automotive vision business, optimizing flip-chip technologies, packaging technologies and other fundamental technologies, to facilitate the development, system integration, testing and the design of new products such as LED intelligent automotive lamps. Our planned technological development initiatives encompass a range of directions, including headlamps with multifunctional modules, rear lamps and ambient lights with surface light source, high-definition projection and driver platforms, flat platform modules, cost-effective HCM for headlamps and shared drivers for headlamps and rear lamps. Leveraging our vertical integration capabilities, we will continue to integrate our intelligent automotive vision products and systems with ICs, electronic control, software, sensors, optics and others to further enhance our R&D capabilities and consolidate our technological leadership in the industry; and (ii) approximately 4.0% of the net proceeds, or HK\$2.6 million, to purchase relevant software and equipment from time to time, in support of the R&D activities;

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- approximately 6.0% of the net proceeds, or HK\$3.8 million, will be used to expand our R&D team in support of the R&D programs to be conducted at the new R&D center and to strengthen our innovative R&D capabilities, optimize and upgrade our teams, so as to enhance our competitive edge in the industry. In addition to the technological development initiatives undertaken by the new R&D center, the R&D team will be responsible for, among others, R&D programs focusing on (i) interactive displays for intelligent automotive lamps, the size of which exceeds 1.3 meters and features over 3,000 pixels, offering programmable and dynamic display capabilities, (ii) advanced high-pixel projection modules capable of light navigation, proximity warnings, lane change alerts, blind spot detection, pedestrian alerts, pre-collision signals and projection of dynamic visual contents in automobiles, and (iii) AR HUD products designed to deliver a comprehensive overview of vehicle and road conditions, display ADAS information intuitively, and provide notification through lane-level AR navigation. We plan to recruit around 15 R&D personnel with professional knowledge and rich experience by 2025, to facilitate the optimization of our existing technologies and continually explore advanced manufacturing processes while expediting new product introductions; and

- approximately 4.0% of the net proceeds, or HK\$2.6 million, will be used to invest in product development, product category expansion and product tests with a focus on the development of LED devices, LED modules and intelligent automotive lamps. We aim to optimize our one-stop solutions through the expansion of product categories in the intelligent automotive vision, high-end lighting and advanced display business.

- approximately 10.0% of the net proceeds, or HK\$6.4 million, as working capital and for general corporate uses to support our day-to-day business operations and growth.

If we urgently need the funds for the above purposes, but cannot immediately obtain the net proceeds from the Global Offering, we will use self-raised funds to meet the relevant funding requirements and replace these self-raised funds with the net proceeds from the Global Offering when the proceeds become available to us.

To the extent that our net proceeds are not sufficient to fund the purposes set out above, we intend to fund the balance through a variety of means, including cash generated from operations, bank loans and other borrowings.

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If the Offer Size Adjustment Option is exercised in full, the net proceeds that we will receive will be approximately HK\$82.3 million at the Offer Price of HK\$3.61 per Offer Share. In the event that the Offer Size Adjustment Option is exercised in full, we intend to apply the additional net proceeds to the above purposes in the proportions stated above.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by the relevant law and regulations, we will only deposit the net proceeds into short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the Securities and Futures Ordinance or applicable laws and regulations in other jurisdictions, the Law of the People's Republic of China on Commercial Banks (《中華人民共和國商業銀行法》) and other applicable laws in China). We will make an appropriate announcement if there is any change to the above proposed use of proceeds.