廣東晶科電子股份有限公司
APT Electronics Co., Ltd.

(A joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code: 2551

GLOBAL OFFERING

Sole Sponsor, Sole Overall Coordinator,
Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager

CITIC SECURITIES

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

廣發証券(香港) GF SECURITIES (HONG KONG)

國金證券(香港)有限公司 SINOLINK SECURITIES (HK) CO. LTD.

Joint Bookrunners and Joint Lead Managers

中銀國際 BOCI

農銀國際 ABC INTERNATIONAL

ICBC 工银国际

中國銀河國際 CHINA GALAXY INTERNATIONAL

華升證券

富途證券

百惠金控 PATRONS

老虎證券

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

APT Electronics Co., Ltd.
廣東晶科電子股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**33,600,000 H Shares (subject to the Offer Size Adjustment Option)**
Number of Hong Kong Offer Shares	**:**	**3,360,000 H Shares (subject to the Offer Size Adjustment Option and reallocation)**
Number of International Offer Shares	**:**	**30,240,000 H Shares (subject to reallocation and the Offer Size Adjustment Option)**
Offer Price	**:**	**HK$3.61 per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Hong Kong Stock Exchange trading fee of 0.00565% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**RMB1.00 per H Share**
Stock code	**:**	**2551**

Sole Sponsor, Sole Overall Coordinator,
Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager

CITIC SECURITIES

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

廣發証券(香港) GF SECURITIES (HONG KONG)

國金證券(香港)有限公司 SINOLINK SECURITIES (HK) CO. LTD.

Joint Bookrunners and Joint Lead Managers

中銀國際 BOCI

農銀國際 ABC INTERNATIONAL

ICBC 工银国际

中國銀河國際 CHINA GALAXY INTERNATIONAL

華升證券 CHINA SUNRISE SECURITIES

富途證券

百惠金控 PATRONS

老虎證券

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Documents Delivered to the Registrar of Companies and Available on Display "in Appendix VII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong. The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price will be HK$3.61 per H Share, unless other wise announced. Applicants for Hong Kong Offer Share are required to pay, on application, the Offer Price of HK$3.61 for each Hong Kong Offer Share together with a brokerage of 1.0%, a SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and a Hong Kong Stock Exchange trading fee of 0.00565%.

The Sole Overall Coordinator, for itself and on behalf of the Underwriters, and with our consent may, where considered appropriate, reduce the number of Hong Kong Offer Shares and/or the Offer Price at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Hong Kong Offer Shares and/or the Offer Price will be published on the website of our Company at www.apt-hk.com and the website of the Stock Exchange at www.hkexnews.hk as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Further details are set forth in "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this Prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See "Underwriting — Grounds for Termination" of this Prospectus.

The Offer Shares have not been and will not be registered under the US Securities Act or securities law of any state in the United States and may be offered and sold only outside the United States in an offshore transaction according to Regulation S under the US Securities Act.

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the websites of the Stock Exchange (**www.hkexnews.hk**) and our Company (**www.apt-hk.com**). If you require a printed copy of this prospectus, you may download and print from the website addresses above.

October 31, 2024

IMPORTANT NOTICE TO INVESTORS:
FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this document to the public in relation to the Hong Kong Public Offering.

This document is available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk under the "HKEXnews > New Listings > New Listing Information" section, and our website at www.apt-hk.com. If you require a printed copy of this document, you may download and print from the website addresses above.

To apply for the Hong Kong Offer Shares, you may:

(1) apply online through the **White Form eIPO** service at **www.eipo.com.hk**;

(2) apply electronically through the **HKSCC EIPO** channel and cause HKSCC Nominees to apply on your behalf by instructing your broker or custodian who is a HKSCC Participant to give electronic application instructions via HKSCC's FINI system to apply for the Hong Kong Offer Shares on your behalf.

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this document are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

If you are an **intermediary**, **broker** or **agent**, please remind your customers, clients or principals, as applicable, that this document is available online at the website addresses above.

Please refer to the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus for further details of the procedures through which you can apply for the Hong Kong Offer Shares electronically.

Your application through the **White Form eIPO** service or the **HKSCC EIPO** channel must be made for a minimum of 1,000 Hong Kong Offer Shares and in multiples of that number of Hong Kong Offer Shares as set out in the table below.

If you are applying through the **White Form eIPO** service, you may refer to the table below for the amount payable for the number of Shares you have selected. You must pay the respective amount payable on application in full upon application for Hong Kong Offer Shares.

If you are applying through the **HKSCC EIPO** channel, you are required to pre-fund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong.

No. of Hong Kong Offer Shares applied for	Amount payable(2) on application	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application
	HK$		*HK$*		*HK$*		*HK$*
1,000	3,646.41	20,000	72,928.14	100,000	364,640.69	800,000	2,917,125.48
2,000	7,292.81	25,000	91,160.18	150,000	546,961.02	900,000	3,281,766.16
3,000	10,939.22	30,000	109,392.20	200,000	729,281.36	1,000,000	3,646,406.86
4,000	14,585.63	35,000	127,624.24	250,000	911,601.71	1,100,000	4,011,047.54
5,000	18,232.04	40,000	145,856.28	300,000	1,093,922.05	1,200,000	4,375,688.22
6,000	21,878.43	45,000	164,088.31	350,000	1,276,242.40	1,300,000	4,740,328.90
7,000	25,524.85	50,000	182,320.34	400,000	1,458,562.75	1,400,000	5,104,969.59
8,000	29,171.25	60,000	218,784.41	450,000	1,640,883.08	1,500,000	5,469,610.28
9,000	32,817.67	70,000	255,248.48	500,000	1,823,203.43	1,680,000(1)	6,125,963.51
10,000	36,464.06	80,000	291,712.55	600,000	2,187,844.11		
15,000	54,696.10	90,000	328,176.62	700,000	2,552,484.80		

Notes:

(1) Maximum number of Hong Kong Offer Share you may apply for.

(2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) or to the **White Form eIPO** Service Provider (for applications made through the application channel of the **White Form eIPO** Service Provider) while the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy will be paid to the SFC, the Stock Exchange and the AFRC, respectively.

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

*If there is any change in the following expected timetable of the Global Offering, we will issue an announcement on the website of our Company at **www.apt-hk.com** and the website of the Stock Exchange at **www.hkexnews.hk**.*

Hong Kong Public Offering commences . . . . 9:00 a.m. on Thursday, October 31, 2024

Latest time for completing electronic applications via the **White Form eIPO** service through the designated website at **www.eipo.com.hk**[2] . . . . 11:30 a.m. on Tuesday, November 5, 2024

Application lists of the Hong Kong Public Offering open[3] . . . . 11:45 a.m. on Tuesday, November 5, 2024

Latest time for (a) completing full payment of application monies via the **White Form eIPO** service, or (b) giving **electronic application instructions** to HKSCC[4] . . . . 12:00 noon on Tuesday, November 5, 2024

If you are instructing your **broker** or **custodian** who is a HKSCC Participant to submit HKSCC EIPO applications on your behalf through HKSCC's FINI system in accordance with your instruction, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists of the Hong Kong Public Offering close[3] . . . . 12:00 noon on Tuesday, November 5, 2024

Announcement of:

- the level of indications of interest in the International Offering;
- the level of applications in the Hong Kong Public Offering; and
- the basis of allocations of the Hong Kong Offer Shares

to be published on the website of our Company at **www.apt-hk.com**[5] and the website of the Stock Exchange at **www.hkexnews.hk** . . . . no later than 11:00 p.m. on Thursday, November 7, 2024

Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels, including:

- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: **www.eipo.com.hk/eIPOAllotment**) with a "search by ID" function from[6]. . . . . 11:00 p.m. on Thursday, November 7, 2024 to 12:00 midnight Wednesday, November 13, 2024

- The Stock Exchange's website at **www.hkexnews.hk** and our website at **www.apt-hk.com**[5] which will provide links to the above mentioned websites of the H Share Registrar . . . . no later than 11:00 p.m. on Thursday, November 7, 2024

- from the allocation results telephone enquiry line by calling +852 28628555 between 9:00 a.m. and 6:00 p.m. from . . . . Friday, November 8, 2024 to Wednesday, November 13, 2024 (excluding Saturdays, Sundays and public holidays in Hong Kong)

H Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering to be dispatched or deposited into CCASS [6][7] . . . . on or before Thursday, November 7, 2024

White Form e-Refund payment instructions/refund checks in respect of wholly or partially unsuccessful applications to be dispatched/collected[8] . . . . on or before Friday, November 8, 2024

Dealings in the Shares on the Stock Exchange expected to commence at	9:00 a.m. on Friday, November 8, 2024

Notes:

(1) Unless otherwise stated, all times and dates refer to Hong Kong local times and dates.

(2) You will not be permitted to submit your application under the **White Form eIPO** service through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above and/or Extreme Conditions (collectively, "**Bad Weather Signal**") in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, November 5, 2024, the application lists will not open or close on that day. For further details, see "How to Apply for Hong Kong Offer Shares — E. Bad Weather Arrangements."

(4) Applicants who apply via HKSCC EIPO channel shall contact their broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian.

(5) Neither of the websites nor any of the information contained on the websites forms part of this prospectus.

(6) The full list of (i) wholly or partially successful applicants using the **White Form eIPO** service and HKSCC EIPO channel, and (ii) the number of Hong Kong Offer Shares conditionally allotted to them, among other things, will be displayed at **www.iporesults.com.hk** or **www.eipo.com.hk/eIPOAllotment**.

(7) H Share certificates will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional and the right of termination described in "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" has not been exercised. Investors who trade the Shares prior to the receipt of Share certificates or prior to the H Share certificates becoming valid evidence of title do so entirely at their own risk.

(8) Refund mechanism for surplus application monies paid by application via HKSCC EIPO channel is subject to the arrangement between applicants and their broker or custodian.

Applicants who have applied for Hong Kong Offer Shares through the HKSCC EIPO channel should refer to "How to Apply for Hong Kong Offer Shares — D. Dispatch/Collection of H Share Certificates and Refund of Application Monies" for details.

Applicants who have applied through the **White Form eIPO** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to the designated bank account in the form of White Form e-Refund payment instructions. Applicants who have applied through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund cheques in favor of the applicant (or, in the case of joint applications, the first-named applicant) by ordinary post at their own risk.

Further information is set out in "How to Apply for Hong Kong Offer Shares — D. Dispatch/Collection of H Share Certificates and Refund of Application Monies."

The above expected timetable is a summary only. For further details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, see "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such case, our Company will make an announcement as soon as practicable thereafter.

IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to subscribe for or buy any security other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to subscribe for or buy any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not included in this prospectus must not be relied on by you as having been authorized by us, the Sole Sponsor, the Sponsor-Overall Coordinator, the Sole Overall Coordinator, the Capital Market Intermediaries, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors or advisors, or any other person or party involved in the Global Offering. Information contained on our website, located at ***www.apt-hk.com****, does not form part of this prospectus.*

CONTENTS

CONTENTS

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

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

OVERVIEW

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

The LED intelligent vision industry can be categorized into three areas based on application: intelligent automotive vision, high-end lighting and advanced display. In 2023, the industry had a substantial global market size of USD192.0 billion in terms of revenue. Within this, the market size of China's LED intelligent vision market amounted to RMB440.2 billion, with intelligent automotive vision, high-end lighting and advanced display accounting for 20.2%, 33.2% and 46.6% of the market, respectively, in terms of revenue for their respective end products. China stands out as the world's largest and most comprehensive hub for automobile manufacturing, lighting and LCD TV industries. After an extended development phase, the LED intelligent vision industry in China is consolidating rapidly. The emergence of "LED+" technologies, which integrate LED technologies with ICs, electronic control, software, sensors, optics and others, are rapidly changing the landscape of the high-end LED intelligent vision industry. Such technological revolutions are now the key drivers for advancements in high-end LED products. Intelligent automotive vision, high-end lighting and advanced display thus represent unsaturated market segments with great potential in the industry, offering the largest room for technological advancement and future development.

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

OUR STRENGTHS

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

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

OUR STRATEGIES

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

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

OUR PRODUCTS

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

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

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

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

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

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

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

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

Intelligent Automotive Vision

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

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

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

Relationship with Geely Related Group

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

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

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

High-End Lighting

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

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

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

Advanced Display

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

OUR SALES CHANNELS

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

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

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

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

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

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

See "Business — Sales and Marketing."

OUR PRODUCTION

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

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	Utilization Rate (%)	Designed Capacity	Actual Production	Utilization Rate (%)	Designed Capacity	Actual Production	Utilization Rate (%)	Designed Capacity	Actual Production	Utilization Rate (%)	Designed Capacity	Actual Production	Utilization Rate (%)
APT production base *(kkpcs)*	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)*	86,320.7	56,616.4	65.6	128,862.5	80,831.1	62.7	145,637.8	114,726.5	78.8	57,548.8	35,815.0	62.2	69,307.2	60,282.6	87.0
Lynway Ningbo production base															
Headlamps *('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

Note:

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

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

See "Business — Production."

PROCUREMENT AND SUPPLY CHAIN MANAGEMENT

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

We have adopted a series of supplier management system to stipulate the selection and engagement process, quality standards and regular evaluation and assessment. We generally select suppliers that can offer quality products, cost efficiency, timely delivery, production capacity and valuable customer services. We also consider our needs for technological development and security. Our supply chain management system, with its data and analytical capabilities, reduces procurement costs, improves our quality control implementation and enhances overall operating efficiency.

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

See "Business — Procurement and Supply Chain Management."

CUSTOMERS

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

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

See "Business — Sales and Marketing — Our Customers."

QUALITY CONTROL

We have devoted substantial resources to quality control since the inception of our business. In 2009, we obtained our first ISO9001 certification for our quality management system, and obtained our first IATF16949 certification for our quality management system in automotive industry in 2017. We established our proprietary quality control system based on the ISO9001 and IATF16949 standards. Our quality policy targets customer satisfaction and comprehensive quality control throughout our operation. Our quality control team is responsible for the overall quality management of our operations which mainly covers the formation and implementation of various policies and standards, quality inspections, resolution of accidents and disputes, internal reviews and continuous quality improvement. In addition to our internal reviews, we are also subject to external reviews as requested by our customers, which involve both comprehensive and target reviews of our quality control system, product certification and production facilities. Through both internal and external reviews, we pinpoint areas for enhancement and address concerns based on a closed-loop process. As a result of our commitment to quality control, we did not experience any material sales returns or any material product liability or major legal claims due to quality control issues, and did not recall any products during the Track Record Period and up to the Latest Practicable Date.

See "Business — Quality Control."

COMPETITIVE LANDSCAPE

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

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

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

See "Industry Overview" and "Business — Competition."

SUMMARY OF HISTORICAL AND FINANCIAL INFORMATION

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

Key Items of the Consolidated Statements of Profit or Loss

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

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

Non-IFRS Financial Measure

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

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

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

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

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

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

Principal Components of Our Consolidated Statements Of Profit or Loss

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

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

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

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

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

Selected Items from the Consolidated Statements of Financial Position

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

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

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

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

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

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

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

Summary of the Consolidated Statements of Cash Flow

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

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

See "Financial Information — Liquidity and Capital Resources — Cash Flows."

Selected Financial Ratios

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

	Year ended December 31,			Five months ended May 31,	
	2021	2022	2023	2023	2024
				(unaudited)	
Revenue growth[1]	—	1.6%	31.7%	—	35.0%
Gross profit growth[2]	—	3.0%	44.1%	—	47.9%
Gross profit margin[3]	16.4%	16.7%	18.2%	16.7%	18.3%
Adjusted net profit margin (non-IFRS measure)[4]	5.7%	2.9%	4.4%	1.3%	5.6%
Adjusted EBITDA margin (non-IFRS measure)[5]	11.9%	9.1%	11.7%	9.8%	12.7%

	As of December 31,			As of May 31,
	2021	2022	2023	2024
Current ratio *(times)*[6]	1.1	1.1	1.1	1.1
Quick ratio *(times)*[7]	0.9	0.8	0.9	0.9
Gearing ratio[8]	16.5%	13.7%	7.8%	5.7%

Notes:

(1) Revenue growth is calculated as the period-on-period growth rate of revenue.

(2) Gross profit growth is calculated as the period-on-period growth rate of gross profit.

(3) The calculation of gross profit margin is based on gross profit for the period divided by revenue and multiplied by 100%. See "Financial Information — Principal Components of Our Consolidated Statements of Profit or Loss — Gross Profit/(Loss) and Gross Margin."

(4) Adjusted net profit margin (non-IFRS measure) is calculated as adjusted net profit (non-IFRS measure) divided by revenue and multiplied by 100%.

(5) Adjusted EBITDA margin (non-IFRS measure) is calculated as adjusted EBITDA (non-IFRS measure) divided by revenue and multiplied by 100%.

(6) Current ratio is calculated as current assets divided by current liabilities as of the relevant period end.

(7) Quick ratio is calculated as current assets less inventories divided by current liabilities as of the relevant period end.

(8) Gearing ratio is calculated as total bank borrowings divided by the total equity as of the end of the respective period and multiplied by 100%.

Revenue growth

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

Gross profit growth

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

Gross profit margin

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

Adjusted net profit margin (non-IFRS measure)

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

Adjusted EBITDA margin (non-IFRS measure)

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

Current ratio

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

Quick ratio

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

Gearing ratio

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

RISK FACTORS

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

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

- any adjustment in our business mix may result in fluctuations in our profitability, which may adversely and materially affect our financial condition and results of operations; and

- we rely on the stability of our supply chain as well as a number of key suppliers, the loss of which could adversely affect our business.

See "Risk Factors."

OUR CONTROLLING SHAREHOLDER GROUP

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

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

PRE-IPO INVESTMENTS

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

CONTINUING CONNECTED TRANSACTIONS

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

PREVIOUS A-SHARE LISTING APPLICATION

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

USE OF PROCEEDS

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

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

See "Future Plans and Use of Proceeds."

IMPACT OF COVID-19

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

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

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

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

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

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

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

- ***Intelligent Automotive Vision***: The sales volume of our intelligent automotive lamps increased from 312,811 sets in the nine months ended September 30, 2023 to 443,494 sets in the same period of 2024. The sales volume of our automotive-grade LED devices increased from 112.9 million pieces in the nine months ended September 30, 2023 to 196.1 million pieces in the same period of 2024. The sales volume of our automotive LED modules increased from 707.6 thousand pieces in the nine months ended September 30, 2023 to 993.3 thousand pieces in the same period of 2024.

- ***High-End Lighting***: The sales volume of our high-end lighting devices increased from 2,455.4 million pieces in the nine months ended September 30, 2023 to 2,704.1 million pieces in the same period of 2024. The sales volume of our high-end lighting modules increased from 9.0 million bars in the nine months ended September 30, 2023 to 10.5 million bars in the same period of 2024.

- ***Advanced Display***: The sales volume of our advanced display devices increased from 275.0 million pieces in the nine months ended September 30, 2023 to 480.7 million pieces in the same period of 2024. The sales volume of our advanced display modules increased from 38.2 million bars in the nine months ended September 30, 2023 to 45.4 million bars in the same period of 2024.

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

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

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

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

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

GLOBAL OFFERING STATISTICS

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

Notes:

(1) The calculation of the market capitalization of our Shares is based on the assumption that 532,106,709 Shares will be in issue immediately upon completion of the Global Offering, assuming the Offer Size Adjustment Option is not exercised.

(2) The calculation of the market capitalization of our H Shares is based on the assumption that 249,106,643 H Shares will be in issue immediately upon completion of the Global Offering (assuming the Offer Size Adjustment Option is not exercised), comprising 33,600,000 H Shares to be issued pursuant to the Global Offering and 215,506,643 H Shares to be converted from our Domestic Unlisted Shares.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated after making the adjustments referred to in the section headed "Appendix II — Unaudited Pro Forma Financial Information" in this prospectus.

DIVIDENDS AND DIVIDEND POLICY

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

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

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

LISTING EXPENSES

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

In this prospectus, unless the context otherwise requires, the following terms and expressions have the meanings set forth below. Certain other terms are explained in the section headed "Glossary of Technical Terms" in this prospectus.

"Accountants' Report of the Group"	the accountants' report of our Group, the text of which is set out in Appendix IA to this prospectus
"Accountants' Report of Lynway Vision"	the accountants' report of Lynway Vision, the text of which is set out in Appendix IB to this prospectus
"Advanced Photoelectronic"	Advanced Photoelectronic Technology Limited (微晶先進光電科技有限公司), formerly known as Advanced Packaging Technology Limited (微晶先進封裝技術有限公司), a limited company established in Hong Kong on February 17, 2003, and member of our Controlling Shareholder Group
"affiliate"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	the Accounting and Financial Reporting Council
"APT (HK)"	APT Electronics (HK) Co., Limited, a limited company established in Hong Kong on June 26, 2017, a wholly-owned subsidiary of our Company
"Articles of Association" or "Articles"	the articles of association of our Company, conditionally adopted on January 19, 2024 with effect from the Listing Date, and as amended from time to time, a summary of which is set out in Appendix V to this prospectus
"Board" or "Board of Directors"	the Board of directors of our Company
"Business Day" or "business day"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong

"Capital Market Intermediaries"	the capital market intermediaries named in the section headed "Directors, Supervisors and Parties Involved in the Global Offering" of this prospectus
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"China" or "PRC"	the People's Republic of China, but for the purpose of this document and for geographical reference only and except where the context requires, references in this document to "China" and the "PRC" do not apply to Hong Kong, Macau Special Administrative Region and Taiwan, China
"Companies (Winding up and Miscellaneous Provisions) Ordinance"	the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "our Company", "the Company" or "APT Electronics"	APT Electronics Co., Ltd. (廣東晶科電子股份有限公司), formerly known as APT Electronics (Guangzhou) Ltd. (晶科電子(廣州)有限公司), a limited liability company established in the PRC on August 30, 2006, which was converted into a joint stock limited company in the PRC on December 3, 2015
"Company Law" or "PRC Company Law"	Company Law of the People's Republic of China (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
"Controlling Shareholder(s)" or "Controlling Shareholder Group"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Xiao, Mr. Chan, Mr. Yuan, APTESS Company Limited, Giant Power Limited, Ms. Loh, Advanced Photoelectronic, Jingyu Investment, Jingling Investment, Jingrui Investment and Jingshi Investment, as further detailed in the section headed "Relationship with Our Controlling Shareholder Group" in this prospectus

"Conversion of Domestic Unlisted Shares into H Shares"	The conversion of 215,506,643 Domestic Unlisted Shares in aggregate held by 32 existing Shareholders into H Shares upon the completion of the Global Offering. Such conversion of Domestic Unlisted Shares into H Shares has been filed with the CSRC and CSRC has issued the filing notices in respect of the Global Offering and the conversion dated June 1, 2024 and September 30, 2024; and an application for H Shares to be listed on the Hong Kong Stock Exchange has been made to the Hong Kong Stock Exchange
"CSDC"	China Securities Depositary and Clearing Corporation Limited (中國證券登記結算有限責任公司)
"CSDC (Hong Kong)"	China Securities Depository and Clearing (Hong Kong) Company Limited
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	director(s) of our Company
"Domestic Unlisted Share(s)"	ordinary share(s) issued by the Company, with a nominal value of RMB1.00 each, which is/are subscribed for or credited as paid in Renminbi and not listed on any stock exchange
"EIT Law"	Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法), as amended, supplemented or otherwise modified from time to time
"EU"	European Union
"Exchange Participant(s)"	a person: (a) who, in accordance with the Hong Kong Listing Rules, may trade on or through the Hong Kong Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Hong Kong Stock Exchange as a person who may trade on or through the Hong Kong Stock Exchange

"Extreme Conditions"	the occurrence of "extreme conditions" as announced by any government authority of Hong Kong due to a super typhoon or other natural disaster of a substantial scale seriously affects the working public's ability to resume work or brings safety concern for a prolonged period
"FINI"	"Fast Interface for New Issuance", an online platform operated by HKSCC that is mandatory for admission to trading and, where applicable, the collection and processing of specified information on subscription in and settlement for all new listings
"GDP"	gross domestic product
"Geely Group"	Geely Holding and its subsidiaries
"Geely Holding"	Zhejiang Geely Holding Group Company Limited (浙江吉利控股集團有限公司), a limited liability company established in the PRC on March 24, 2003 and a connected person of our Company
"Geely Related Group"	includes (i) Geely Group, (ii) LI Shufu and his related companies other than Geely Group, and (iii) Yaoning Technology and its associates. Among the Geely Related Group, LI Shufu and his majority-controlled companies (including Geely Group) and Yaoning Technology and its associates are connected persons of our Company. LI Shufu is (i) the father of LI Xingxing, a substantial Shareholder by virtue of his interest in Yaoning Technology, and (ii) the father-in-law of ZHENG Xin, a non-executive Director, and hence LI Shufu is an associate of LI Xingxing under Rule 14A.12(2)(a) of the Listing Rules and a deemed connected person under Rule 14A.21(1)(a) of the Listing Rules. Accordingly, the majority-controlled companies of LI Shufu are connected persons of our Company under Rules 14A.12(2)(b) and 14A.21(1)(b) of the Listing Rules. For the avoidance of doubt, the related companies of LI Shufu other than his majority-controlled companies are not regarded as connected persons of our Company

"Global Offering"	the Hong Kong Public Offering and the International Offering
"Group," "our Group," "we" or "us"	our Company and its subsidiaries (or our Company and any one or more of its subsidiaries, as the context may require)
"H Share Registrar"	Computershare Hong Kong Investor Services Limited
"H Share(s)"	overseas listed foreign shares in the share capital of our Company with nominal value of RMB1.00 each, which are to be subscribed for and traded in HK dollars and are to be listed on the Hong Kong Stock Exchange
"HK$" or "HK dollars"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"HKSCC Participant"	a participant admitted to participate in CCASS as a direct clearing participant, a general clearing participant or a custodian participant
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules" or "Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Hong Kong Offer Shares"	the 3,360,000 H Shares initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to the Offer Size Adjustment Option and reallocation as described in "Structure of the Global Offering" in this prospectus)

"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to the Offer Size Adjustment Option and reallocation as described in "Structure of the Global Offering" in this prospectus) at the Offer Price (plus brokerage, SFC transaction levies, AFRC transaction levy and Hong Kong Stock Exchange trading fees), on and subject to the terms and conditions described in this prospectus as further described in "Structure of the Global Offering — Hong Kong Public Offering" in this prospectus
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in "Underwriting — Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement, dated October 30, 2024, relating to the Hong Kong Public Offering and entered into by, among others, our Company, Mr. Xiao, Mr. Yuan, Advanced Photoelectronic, the Sole Sponsor, the Sole Overall Coordinator and the Hong Kong Underwriters, as further described in the section headed "Underwriting — Underwriting Arrangements and Expenses — The Hong Kong Public Offering — Hong Kong Underwriting Agreement" in this prospectus
"IFRS"	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Committee
"Independent Third Party(ies)"	any entity or person who to the best of our Directors' knowledge, information and belief, is not a connected person of our Company within the meaning ascribed thereto under the Listing Rules

"International Offer Shares"	the 30,240,000 H Shares initially offered by our Company for subscription pursuant to the International Offering (subject to the Offer Size Adjustment Option and reallocation as described in "Structure of the Global Offering" in this prospectus)
"International Offering"	the offer of the International Offer Shares by the International Underwriters at the Offer Price outside the United States in offshore transactions in accordance with Regulation S or any other available exemption from registration under the US Securities Act, as further described in "Structure of the Global Offering" in this prospectus
"International Underwriters"	the group of international underwriters expected to enter into the International Underwriting Agreement to underwrite the International Offering
"International Underwriting Agreement"	the underwriting agreement expected to be entered into on or around Wednesday, November 6, 2024 by, among others, our Company, Mr. Xiao, Mr. Yuan, Advanced Photoelectronic, the Sole Sponsor, the Sole Overall Coordinator and the International Underwriters in respect of the International Offering, as further described in "Underwriting — International Offering" in this prospectus
"Jingling Investment"	Guangzhou Jingling Investment Partnership (Limited Partnership) (廣州晶領投資合夥企業(有限合夥)), a limited partnership established in the PRC on October 25, 2023, one of our employee shareholding platforms and member of our Controlling Shareholder Group
"Jingrui Investment"	Guangzhou Jingrui Investment Partnership (Limited Partnership) (廣州晶瑞投資合夥企業(有限合夥)), a limited partnership established in the PRC on November 30, 2023, one of our employee shareholding platforms and member of our Controlling Shareholder Group

"Jingshi Investment"	Guangzhou Jingshi Investment Partnership (Limited Partnership) (廣州晶實投資合夥企業(有限合夥)), a limited partnership established in the PRC on November 30, 2023, one of our employee shareholding platforms and member of our Controlling Shareholder Group
"Jingyu Investment"	Guangzhou Jingyu Equity Investment Partnership (Limited Partnership) (廣州晶裕股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on September 29, 2017, one of our employee shareholding platforms and member of our Controlling Shareholder Group
"Joint Bookrunners"	the joint bookrunners as named in "Directors, Supervisors and Parties Involved in the Global Offering"
"Joint Global Coordinator"	the joint global coordinators as named in "Directors, Supervisors and Parties Involved in the Global Offering"
"Joint Lead Managers"	the joint lead managers as named in "Directors, Supervisors and Parties Involved in the Global Offering"
"Latest Practicable Date"	October 21, 2024, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
"Linlux"	Linlux Electronics Ltd. (聯晶智能電子有限公司), a limited liability company established in the PRC on October 9, 2018 and a wholly-owned subsidiary of our Company
"Listing"	listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Committee"	the Listing Committee of the Hong Kong Stock Exchange
"Listing Date"	the date, expected to be on or around November 8, 2024, on which our H Shares are listed and from which dealings therein are first permitted to take place on the Hong Kong Stock Exchange
"Lynway Vision"	Lynway Vision Technology (Ningbo) Co., Ltd. (領為視覺智能科技(寧波)有限公司), a limited liability company established in the PRC on October 26, 2018 and a wholly-owned subsidiary of our Company

"Lynway Vision (Guangzhou)"	Lynway Vision Automobile Parts (Guangzhou) Co., Ltd. (領為視覺汽車零部件(廣州)有限公司), a limited liability company established in the PRC on June 17, 2024 and a wholly-owned subsidiary of our Company
"Macau"	the Macau Special Administrative Region of the PRC
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Ministry of Finance" or "MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. Chan"	Mr. CHAN Philip Ching Ho (陳正豪), our non-executive Director and member of our Controlling Shareholder Group
"Mr. Xiao"	Mr. XIAO Guowei David (肖国偉), our executive Director, chairperson of the Board, the chief strategic officer and member of our Controlling Shareholder Group
"Mr. Yuan"	Mr. YUAN Lie Ming Peter (袁立明), our non-executive Director and member of our Controlling Shareholder Group
"Ms. Loh"	Ms. LOH Rebecca May-Leung (勞美良), the spouse of Mr. Chan and member of our Controlling Shareholder Group
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"NEEQ"	The National Equities Exchange and Quotations (全國中小企業股份轉讓系統)
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)

"Offer Price"	HK$3.61 per Offer Share (exclusive of brokerage fee of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Hong Kong Stock Exchange trading fee of 0.00565%) at which Offer Shares are to be subscribed for and issued pursuant to the Global Offering as described in "Structure of the Global Offering" in this prospectus
"Offer Share(s)"	the Hong Kong Offer Shares and the International Offer Shares, together with, where relevant, any additional H Shares which may be issued by our Company pursuant to the exercise of the Offer Size Adjustment Option
"Offer Size Adjustment Option"	the option under the Hong Kong Underwriting Agreement, exercisable by the Company on or before the date of the International Underwriting Agreement, pursuant to which the Company may issue and allot up to an aggregate of 5,040,000 additional H Shares (representing in aggregate approximately 15% of the initial Offer Shares) at the Offer Price, to cover additional market demand, if any, as described in the section headed "Structure of the Global Offering" in this Prospectus
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC GAAP"	generally accepted accounting principles of PRC
"PRC Legal Advisor"	AllBright Law Offices, the PRC legal advisor of our Company
"Pre-IPO Investment(s)"	the Pre-IPO investment(s) in our Company undertaken by the Pre-IPO Investor(s) prior to the Listing, details of which are set out in the section headed "History, Development and Corporate Structure" in this prospectus
"Pre-IPO Investor(s)"	the investor(s) who participated in our Pre-IPO Investments, details of which are set out in the section headed "History, Development and Corporate Structure" in this prospectus
"prospectus" or "Prospectus"	this prospectus being issued in connection with the Hong Kong Public Offering

"province"	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC
"Regulation S"	Regulation S under the US Securities Act
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SAC"	the Securities Association of China (中國證券業協會)
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SASAC"	State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"Securities and Futures Ordinance" or "SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Securities Law"	the Securities Law of the People's Republic of China (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time
"SFC"	the Securities and Futures Commission of Hong Kong
"Shanghai Stock Exchange"	the Shanghai Stock Exchange (上海證券交易所)
"Share Incentive Scheme I"	the share incentive scheme adopted by our Company on May 31, 2019 and renewed on December 8, 2023
"Share Incentive Scheme II"	the share incentive scheme adopted by our Company on December 8, 2023
"Share Incentive Scheme III"	the share incentive scheme adopted by our Company on December 4, 2023

"Share Incentive Schemes"	the Share Incentive Scheme I, the Share Incentive Scheme II and the Share Incentive Scheme III
"Share(s)"	ordinary shares in the capital of our Company with a nominal value of RMB1.00 each
"Shareholders(s)"	holder(s) of the Share(s)
"Shenzhen Stock Exchange"	the Shenzhen Stock Exchange (深圳證券交易所)
"Shenzhen MPEG"	Shenzhen MPEG Electronics Co., Ltd. (深圳市兆碼電子有限公司), a limited liability company established in the PRC on April 29, 2000 and our channel partner
"SME Fund"	Guangdong SME Equity Investment Fund Limited (廣東中小企業股權投資基金有限公司), a limited liability company established in the PRC on November 15, 2010 and one of our Shareholders
"Sole Overall Coordinator"	CLSA Limited
"Sole Sponsor"	CITIC Securities (Hong Kong) Limited
"Sponsor-Overall Coordinator"	CLSA Limited
"State Council"	State Council of the People's Republic of China (中華人民共和國國務院)
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"Supervisor(s)"	member(s) of our Supervisory Committee
"Supervisory Committee"	the supervisory committee of our Company
"Taiwan Stock Exchange"	the Taiwan Stock Exchange Corporation
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time

"Track Record Period"	the three years ended December 31, 2021, 2022 and 2023, and the five months ended May 31, 2024
"Underwriters"	The Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	The Hong Kong Underwriting Agreement and the International Underwriting Agreement
"US Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"US$" or "US dollars"	United States dollars, the lawful currency of the United States
"US" or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"**White Form eIPO**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of **White Form eIPO** Service Provider at **www.eipo.com.hk**
"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited
"Yaoning Technology"	Zhejiang Yaoning Technology Group Co., Ltd. (浙江耀寧科技集團有限公司), formerly known as Zhejiang Yaoning Technology Co., Ltd. (浙江耀寧科技有限公司), a limited liability company established in the PRC on December 22, 2020 and our substantial Shareholder

"%"	per cent

In this prospectus, the terms "associate," "close associate," "connected person," "core connected person," "connected transaction" and "substantial shareholder" shall have the meanings given to such terms in the Hong Kong Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this prospectus have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

For ease of reference, the names of the PRC established companies or entities, laws or regulations have been included in this prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

This glossary of technical terms contains explanations of certain technical terms used in this prospectus. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.

"ADAS"	advanced driver assistance systems, electronic systems developed to automate, adapt, and enhance vehicle systems for safety and better driving
"ADB"	adaptive driving beam, a technology that adjusts the direction and intensity of the light of the vehicle's headlamps based on road conditions to enhance the driver's view and minimize glare for other drivers
"automotive OEM"	the original equipment manufacturer, which assembles and installs automotive parts during the construction of a new vehicle
"AI"	artificial intelligence
"AR HUD"	augmented reality head-up display, an advanced version of a HUD that uses augmented reality technology to project virtual images onto the windshield
"AR navigation"	augmented reality navigation, a system that uses augmented reality technology to project virtual images onto the real-world environment, providing drivers with real-time, turn-by-turn directions and other relevant information
"CAGR"	compound annual growth rate
"CASN"	a substance with the same crystal structure as CaAlSiN3 and a substance whose main component is crystal of CaAli+xSi1-xN3-xOx where part of each Ca, Al and Si may be substituted with a divalent metallic element (II metallic element value), a trivalent metallic element (III metallic element value) or a tetravalent metallic element (IV metallic element value)
"CNAS"	China National Accreditation Service for Conformity Assessment

"COB"	chip-on-board, a packaging process that integrates multiple LED chips into a circuit board
"CRI"	color rendering index, a quantitative measure of the ability of a light source to reveal the colors of various objects faithfully in comparison with a natural or standard light source
"direct-lit"	a method of illumination used in LCD displays where a panel of LEDs is placed directly behind the display stack to produce the visuals on the screen
"DLP"	digital lighting processing, a set of chipsets based on optical micro-electro-mechanical technology that uses a digital micromirror device. DLP technology is used in a variety of display applications from traditional static displays to interactive displays and also non-traditional embedded applications including medical, security and industrial uses
"DOB"	driver-on-board, a technology used in LED lighting systems in which the driver is integrated directly onto the LED circuit board
"draft angle"	a slight incline on the vertical surfaces of a mold that facilitates the removal of the finished part
"edge-lit"	a method of illumination used in LCD displays where LEDs are placed along the edges of the screen to produce the visuals on the screen
"EMC"	epoxy molding compound, a type of epoxy material used in the production of compact, highly heat-resistant leadframes with high application power for LED devices through molding equipment and process
"EVs"	electric vehicles, primarily including battery electric passenger vehicles (BEVs), plug-in hybrid electric passenger vehicles (PHEVs) and fuel-cell electric vehicles (FCEVs)

"flip-chip LED"	an LED structure installed in a flipped orientation compared to lateral LED without wires for electrical connections
"GFA"	gross floor area
"HCM"	headlamp control module, an advanced front lighting control system in vehicles that provide optimized illumination
"HD"	high definition
"HUD"	head-up display, a display that projects important information onto the windscreen without requiring the drivers to look away from their usual viewpoint
"IATF16949"	the international technical specification of automotive industry quality management system, prepared by the IATF (International Automotive Task Force) and the ISO
"IC"	integrated circuit, a small unit or package which is made as a single indivisible structure (such as a chip) and is electrically equivalent to a conventional circuit of many separate components
"ICE"	internal combustion engine
"IP"	intellectual property
"IR"	infrared, a type of electromagnetic radiation with wavelength just greater than that of the red end of the visible light spectrum but less than that of microwaves
"ISO"	the International Organization for Standardization, a worldwide federation of national standards bodies
"ISO14001"	the Environmental Management System published by the ISO
"ISO45001"	the Occupational Health and Safety Management System published by the ISO

"ISO9001"	the International Quality Management System published by the ISO
"ISD"	interactive signal display
"IT"	information technology
"lateral LED"	an LED structure that necessitates the use of wires for electrical connections, featuring P and N metal electrodes on the same side from which light is emitted. Its structural composition, from top to bottom, includes P-GaN, a light-emitting layer, N-GaN and a substrate
"'LED+' technologies"	technologies which integrate LED technologies with integrated circuits (ICs), electronic control, software, sensors, optics and others, which are rapidly changing the landscape of the high-end LED intelligent vision industry
"LCD"	liquid-crystal display, a flat-panel display or other electronically modulated optical device that uses the light-modulating properties of liquid crystals combined with polarizers
"leadframe"	a packaging carrier in LED or IC devices that secures LED or IC chips, offering mechanical support, electrical connection and heat conduction. It typically comprises a metal sheet, plastic materials, etc.
"LED"	light-emitting diode, a semiconductor diode that emits light when current flows through it
"LED device"	a semiconductor device that emits light, manufactured through the LED packaging process
"LED module"	an integral unit assembled by single or multiple LED devices, driving circuits, control circuits, etc.
"lm/W"	lumen per watt

"local dimming"	an LED backlight technology used in LCD display to improve picture quality. It works by dimming the backlight areas of the screen that need to be dark, while keeping the backlight bright parts of the screen bright, thereby increasing the contrast ratio and creating a better image
"L_{70}"	a metric indicating the time (in hours) when the luminous flux output from the LED has dropped to 70% of initial
"Micro LED"	light-emitting diodes with chip size smaller than 100μm
"Mini LED"	light-emitting diodes with chip size ranging from 100μm to 300μm
"MSRP"	manufacturer suggested retail price
"N-GaN"	N-type gallium nitride, a semiconductor material with specific impurities to create an abundance of free electrons, which effectively carry a negative charge
"OEE"	overall equipment effectiveness, a standard for measuring the productivity of manufacturing equipment
"OHSAS18001"	the requirements for occupational health and safety management systems developed for managing health and safety risks associated with a business
"OTA"	over-the-air, a technology that updates vehicle software and firmware remotely through network
"PAR"	photosynthetically active radiation, the wavelengths of light (between 400nm and 700nm) that plants use for photosynthesis
"PCB"	printed circuit board
"PCBA"	printed circuit board assembly, the process of mounting or placing electronic components which give the board its functionality on a PCB

"photoelectric conversion efficiency"	the percentage of electrical energy that a lighting product converts into visible light, serving as a crucial metric for measuring performance and energy efficiency of lighting products
"PPE"	photosynthetic photon efficiency, a metric that measures the total amount of PAR produced by a lighting system each second per electrical power
"PPF"	photosynthetic photon flux, a metric that measures the total amount of PAR produced by a lighting system each second. PPF is crucial in horticultural applications to understand the effectiveness of a lighting system for plant growth
"P-GaN"	P-type gallium nitride, a semiconductor material with specific impurities to create an abundance of spaces where there is a lack of electrons, which effectively carry a positive charge
"Q_{70}"	a metric indicating the time (in hours) when the photon flux output from the LED has dropped to 70% of initial
"R&D"	research and development
"SMD"	surface-mounted device, an LED packaging device with positive and negative electrodes on the package substrate, which can be assembled onto PCB through SMT process
"SMT"	surface mount technology, a method used in the assembly of PCBs where components are directly attached onto the designated position on the surface of the boards
"sq.m."	square meter
"substrate"	a foundational material used in the manufacturing of semiconductor components and PCBs

"Tier-1 supplier"	a company that supplies parts or systems directly to automotive OEMs. Other types of suppliers in the automotive industry include Tier-2 and Tier-3 suppliers. Tier-2 suppliers supply to Tier-1 suppliers. Tier-3 suppliers supply to Tier-2 suppliers
"UV"	ultraviolet, a type of electromagnetic radiation with wavelength less than that of visible light, but greater than X-rays
"UVC"	ultraviolet rays with a wavelength between 200nm and 280nm
"W"	watt

This prospectus includes forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- general political and economic conditions, including those related to the jurisdictions where we operate;

- our business prospects and our ability to successfully implement our business plans and strategies;

- future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand;

- our capital expenditure plans;

- the actions and developments of our competitors;

- our financial condition and performance;

- our dividend policy;

- any changes in the laws, rules and regulations of the central and local governments in the jurisdictions where we operate and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans;

- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the jurisdictions, the industry and markets in which we operate;

- various business opportunities that we may pursue; and
- capital market developments, changes in the global economic conditions and material volatility in the global financial markets.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed under "Risk Factors" and elsewhere in this prospectus. We caution you not to place undue reliance on these forward-looking statements, which reflect our management's view only as of the date of this prospectus. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in our H Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the market price of our H Shares could decline, and you may lose all or part of your investment. These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof and is subject to the cautionary statements in the section headed "Forward-Looking Statements" in this prospectus.

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.

The LED intelligent vision industry is intense and highly competitive with over 300 thousand market participants. China has the world's largest LED intelligent vision industry, with a market size of RMB440.2 billion in 2023 in terms of revenue. Based on applications, LED intelligent vision can be categorized into intelligent automotive vision, high-end lighting and advanced display. In terms of revenue in 2023, the top five manufacturers took up an aggregated market share of 49.2%, 39.3% and 66.6%, respectively, in China's intelligent automotive vision market, high-end lighting market and LCD TV backlight display market, respectively. See "Industry Overview." Many of our competitors provide products comparable to those we offer and may further upgrade their products and optimize their services. Our competitors may have longer operating histories, greater brand recognition, better supplier relationships, larger customer bases or greater financial, technological or marketing resources than we do. As a result, our competitors may be able to respond more quickly and effectively to new or changing opportunities, technologies, standards or customer requirements than us and may have the ability to initiate or withstand significant industry evolvement or regulatory changes. Our competitors may have more advanced facilities or equipment, develop more advanced or efficient technologies, acquire more customers, have more professional staff or offer more competitive prices.

If we are unable to stay competitive or compete successfully with our competitors, we may experience decreases in market share and sales volume, and may have to reduce our prices or make other concessions, thereby adversely affecting our profitability, business, financial condition and results of operations.

We are exposed to customer concentration risk.

Revenue from our five largest customers in each period of the Track Record Period amounted to RMB997.6 million, RMB1,033.7 million, RMB1,366.6 million and RMB649.8 million, respectively, accounting 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 amounted to RMB423.6 million, RMB350.1 million, RMB705.8 million and RMB326.7 million, respectively, accounting for 30.5%, 24.8%, 38.0% and 38.8% of our total revenue, respectively. See "Business — Sales and Marketing — Our Customers." 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, 2024, revenue from Geely Related Group was RMB50.6 million, RMB350.1 million, RMB705.8 million and RMB326.7 million, respectively, accounting for 3.6%, 24.8%, 38.0% 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. Our major customers' stable relationship with us and consistent demands are crucial to our business. Their business conditions, liquidity and solvency may have a significant impact on our business dealings. Any disruption in our business relationship with major customers could have a material adverse effect on our business, financial condition and results of operations. In the event that the existing major customers reduce or cease to purchase our products and we are unable to find new customers with similar level of demands at comparable terms within a reasonable period of time or at all, our business and profitability may be adversely affected.

Demand for our LED products depends on trends and developments in their corresponding end products and end markets.

We offer a broad portfolio of LED products to be used for a wide range of end products or targets, such as automotives and consumer electronics. As such, demand for our products depends to a large extent on trends and developments in the markets for end products. If the end product markets cannot maintain robust growth, our business and profitability may be adversely affected.

Furthermore, the end markets of our products are characterized and defined by rapidly changing technology, frequent new product specifications and changing customer demands. Our success thus depends on the ability to adequately respond and adapt to technological developments in a timely and cost-effective manner, through continual improvement of our products and services. Our failure to adapt to such changes may have a material adverse effect on our business, operating results and financial condition.

Any adjustment in our business mix may result in fluctuations in our profitability, which may adversely and materially affect our financial condition and results of operations.

Our results of operations are affected by changes in our business mix. During the Track Record Period, we expanded into high-tech, high-profit margin and high-growth potential products in high-end lighting and advanced display businesses, such as horticultural lighting products and intelligent local dimming products, to capture a broader range of market opportunities, enhance the diversity of our product offerings and improve our profitability. In 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, the gross profit margin of our high-end lighting business was 19.6%, 19.2%, 23.4%, 22.6% and 24.8%, respectively, and the gross profit margin of our advanced display business was 9.6%, 10.7%, 16.4%, 16.4% and 15.7%, respectively.

In 2021, we tapped into intelligent automotive vision and have quickly ramped up our product offerings since then. Our revenue from intelligent automotive vision products significantly increased over the Track Record Period, representing 5.3%, 28.3%, 41.5%, 36.1% and 43.4% of our total revenue in 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, respectively. We recorded a gross loss margin of 1.1% in 2021 and a gross profit margin of 17.5%, 14.9%, 10.2% and 15.3% in intelligent automotive vision in 2022, 2023 and the five months ended May 31, 2023 and 2024, respectively. In contrast, the revenue contribution from high-end lighting decreased over the Track Record Period, representing 74.5%, 47.5%, 35.0%, 40.6% and 30.1% of our total revenue in 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, respectively.

Any adjustment in business mix may result in fluctuations in our profitability. We cannot guarantee that our business adjustments will be consistently successful, and that we will continue to sustain our gross profit margins and profitability levels in the future. Any failure in the adjustments of our business mix may have an adverse and material effect on our revenue, financial condition or results of operations.

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.

Our purchase primarily encompasses procurement of raw materials and consumables, property, plant and equipment, as well as services. 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. We cannot assure you that there will not be any dispute between our major suppliers and us, or that we will be able to maintain stable business relationships with our existing suppliers.

If all or a significant number of our suppliers for any particular raw materials and consumables are unable or unwilling to meet our requirements for quantity, quality or timing, we could suffer supply shortages or procurement cost increases. Our suppliers could fail to meet our needs for various reasons beyond our control, including fires, natural disasters, extreme weather, manufacturing problems, epidemic, strikes, transportation interruptions or governmental regulation. A failure of supply could also occur due to suppliers' financial difficulties, including bankruptcy. Changing suppliers may require a long lead time. We may not be able to locate alternative suppliers in sufficient quantities, of suitable quality, or at an acceptable price within a reasonable period of time, or at all. Continued supply disruptions could exert pressure on our costs, and we cannot assure you that all or part of any increased costs can be passed along to our customers in a timely manner or at all, which could negatively affect our business, overall profitability and financial performance.

An increase in prices of raw materials and consumables or shortage in supply may disrupt our supply chain, increase our production costs and delay deliveries of our products to customers.

The primary raw materials and consumables that we use in the production of our products are LED chips, leadframes, PCBs, automotive lamp modules, plastic particles, drivers and electronic components, among others. Our raw material and consumable costs that constitute the cost of sales amounted to RMB966.2 million, RMB947.9 million, RMB1,182.4 million, RMB409.8 million and RMB563.9 million, respectively, in 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, representing 83.3%, 80.6%, 77.8%, 78.8% and 81.9%, respectively, of our total cost of sales over the same periods. As a result, our production volume and production costs depend on our ability to source key raw materials and consumables at competitive prices. However, the raw materials and consumables we use are subject to price volatility caused by external factors, such as commodity price fluctuations, changes in supply and demand, logistics and processing costs, our bargaining power with suppliers, inflation, and governmental regulations and policies. We generally do not enter into long-term supply agreements with fixed price arrangements, which is in line with the industry norm. We have adopted comprehensive policies and measures to manage the price fluctuations of raw materials. See "Business — Procurement and Supply Chain Management — Raw Materials and Consumables." 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. However, we may be unable to obtain raw materials and consumables in the quantities of a quality or at a price that we require, which may disrupt our supply chain, increase our production costs and delay deliveries of our products to customers.

Our success depends to a great extent on our R&D capabilities. Failure of our technology and R&D efforts may hurt our competitiveness and profitability.

Our R&D capabilities and facilities are critical to our success. The industry in which we operate is subject to rapid technological changes and is evolving quickly in terms of technological innovation. In 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, our research and development costs amounted to RMB62.0 million, RMB88.7 million, RMB87.2 million, RMB36.3 million and RMB37.6 million, respectively, representing 4.5%, 6.3%, 4.7%, 5.8% and 4.5% of our total revenue for the same periods, respectively. We may continue investing significant resources in R&D in order to secure design wins from automotive OEMs, offer products with desirable performance and pricing and remain competitive in the rapidly evolving industry.

However, R&D activities are inherently uncertain, generally lasting for a long time and requiring substantial R&D expenses. Our R&D activities and investments made during design in can not guarantee revenue generation, and we may not be able to recover costs incurred. We cannot assure you that our R&D projects will be successful or completed within the anticipated time frame and budget, or that our newly-developed products will have commercial success. Even if we secured design wins or if such products can be successfully commercialized, we cannot assure you that we will achieve their anticipated sales target or profit.

In addition, our existing or potential competitors may develop products which are similar or superior to our products with more competitive price. Due to uncertainties in the time frame for developing new products and the duration of the market window for these products, we may have to abandon ongoing developments that are no longer commercially viable, even after having invested significant resources in their R&D. If we fail in our product launch efforts, our business, prospects, financial condition and results of operations may be materially and adversely affected.

Unsatisfactory performance of or defects in our products, or failure to maintain an effective quality management system, may harm our reputation, lead to product returns or recalls and materially and adversely affect our business, financial condition and results of operations.

We may offer products that are affected by substandard quality or unsatisfactory performance due to design and manufacturing defects. We may also be exposed to potential product liabilities. The consequences of such product defects may be severe and we may be subject to claims for contract breaches or be liable for property damage or even bodily injuries and harms. Further, the causes of product defects may be manifold and sometimes beyond our control. Besides errors in the design, R&D and production of our products, defects may also be caused by defective components or materials delivered by our suppliers and integrated in our products. As we do not have direct control over the quality of the materials and intermediate products manufactured or supplied by third parties, we are exposed to a risk relating to the quality of such materials and intermediate products. In addition, we may manufacture particular products pursuant to specifications and quality requirements set by our customers. If our products do not meet the specifications and quality requirements stipulated by our customers, relevant production may be discontinued until the cause of the product defect has been identified and remedied.

Therefore, our failure to maintain the consistent quality control throughout our production process may result in the substandard quality or unsatisfactory performance of our products, causing a failure to achieve or maintain automotive-grade status or other certifications, significant damage to our market reputation and a decrease in our sales volume. If we deliver any defective products, or if there is a perception that our products are of substandard quality or provide unsatisfactory performance, we may incur substantial costs due to returns or replacements of our products, and our market reputation and sales volumes may be adversely affected. 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. We may also need to upgrade or rectify our production procedures or modes to meet the quality and performance required by our customers. Such upgrade or rectification may be costly and have a material adverse effect on our financial condition and results of operations.

In addition, as our customers may sell our products after their assembly process to end consumers in their respective markets, we may be also exposed to potential product liability claims from end consumers in the relevant jurisdictions in case that any safety damage results from the use of our products even if we have no direct sales to such end consumers. During the Track Record Period and up to the Latest Practicable Date, we had not, due to material product quality issues, (i) received fines, product recall orders or other penalties from the PRC government or other regulatory bodies, (ii) received any product return requests, or (iii) received complaints from our customers that have a material adverse effect on our business, financial condition and results of operations. However, there can be no assurance that we will not experience material product liability losses in the future, or that we will be able to defend such claims at a contained level of cost.

We may not be successful in executing our business plans and strategies effectively or at all, and our business, financial condition, results of operations and growth prospects may be materially and adversely affected.

Our business plans and strategies are based on our assumptions of future events which may entail certain risks and are inherently subject to uncertainties. These assumptions may not be correct, which could affect the commercial viability of our business plans and strategies. As such, there can be no assurance that our business plans and strategies will be implemented successfully as scheduled or at all.

If we fail to implement our business plans and strategies effectively and efficiently, we may be unable to expand our operations, manage our growth, take advantage of market opportunities as expected or remain competitive in the industry. Furthermore, even if we implement our business plans and strategies effectively and efficiently, there may be other unexpected events or factors beyond our control that may prevent us from achieving the desirable and profitable results, such as the changes in local laws and regulations and governmental policies, the availability of skilled professionals and changes in consumer demand. Moreover, our business plans and strategies may increase our operating costs, such as higher staff costs, as well as greater depreciation for production equipment and facilities, and increase our cash outflows for operating and investing activities. Accordingly, if our business plans and strategies cannot be successfully implemented, or if they do not yield ideal results, we may have significant difficulties in recovering our costs and therefore experience a material adverse impact on our business, financial condition and results of operations.

Our success relies on key management and other highly qualified personnel with specialized skills.

Our future success is significantly dependent upon the continued service of our management and highly qualified personnel with specialized skills. Our ability to compete effectively depends on our ability to retain and motivate existing employees and attract new employees. We may need to offer higher compensation and other benefits to attract and retain key personnel and our compensation and benefits payments may increase unexpectedly or at a greater rate than expected. If we lose the services of any member of management or qualified personnel, we may not be able to locate suitable or qualified replacements in a timely manner at reasonable cost, or at all. Our failure to attract and retain key management or qualified personnel and any increase in staffing costs to retain such personnel could have a negative impact on our ability to maintain our competitive position and grow our business, and may have a material adverse effect on our financial condition, results of operations and growth prospects.

Our key management and employees are subject to confidentiality terms and noncompete arrangements. However, we cannot assure you that such terms or arrangements can be fully and legally enforced. If any of our management or other key personnel joins or establishes a competing business, we may lose some of our customers, which may have a material adverse effect on our business.

Failure to develop and introduce new products could adversely impact our competitiveness, performance and prospects for future growth.

We operate in an industry that is subject to rapid and unpredictable changes in customer demand and trends. Our success depends to a large extent on our ability to provide customers with new, attractive products tailored to their needs on a timely basis at favorable profit margins.

The commercial success of new products are subject to many factors that are not entirely within our control, including our ability to carry out effective and efficient technology development and manufacturing, gauge market demand, make timely delivery and offer satisfactory after sales services for the new products. If our new products cannot achieve good commercial results, we may be unable to achieve desired revenue and profit return, or even recoup initial investments.

We may also sell new products to new markets, the success of which is dependent on various factors such as market conditions, competition landscape, regulatory environment, supply chain, customer demand, and the positioning of our new products, as well as our ability to offer such products at competitive terms and prices. The new markets may have high entry barriers, which may prevent new entrants to achieve market penetration. There can be no assurance that we will be able to successfully satisfy our customer demand on a sustainable and profitable basis.

If we are unable to develop, produce and introduce new products within or beyond our current business that meet customer demand at favorable margins, our business, financial condition and results of operations may be materially and adversely affected.

If we fail to maintain or enhance our brand recognition, or if we incur excessive expenses in this effort without achieving the anticipated benefits, our reputation, business, financial condition and operating results may suffer.

We believe that maintaining and enhancing our brand is of significant importance to the success of our business. Well-recognized brands are important to enhancing our attractiveness to our customers. Since we operate in a highly competitive market, brand maintenance and enhancement directly affect our ability to maintain our market position. The successful promotion of our brand will depend on the effectiveness of our marketing efforts and word-of-mouth referrals we receive from satisfied customers.

We incurred selling and marketing expenses of RMB20.8 million, RMB30.0 million, RMB45.2 million, RMB16.4 million and RMB20.4 million in 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, respectively, representing 1.5%, 2.1%, 2.4%, 2.6% and 2.4% of our total revenue during the same periods, respectively. We may incur extra expenses in promoting our brand. The results of such initiatives may not cover the costs of the increased investment. We cannot guarantee that our marketing efforts will be successful, or that they will yield significant benefits that justify the costs. Any such failure may result in our declining market recognition and position, and materially and adversely affect our business, financial condition and results of operations.

We have businesses in a number of different countries and jurisdictions, which are subject to legal, regulatory, operational and other risks inherent in international and cross-border operations.

In 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, the revenue from our overseas business represented 23.7%, 19.5%, 15.1%, 17.4% and 16.1% of our total revenue for the same periods, respectively. We expect to expand further into international markets, and may subject ourselves to the following risks:

- challenges in providing products, services and support, in recruiting personnel in international markets, and in managing sales channels and distribution networks effectively;

- revenue fluctuation from period to period in the future due to unfavorable market conditions, intense competition, unattractive products and services, downward pressure on our selling price and any other inherent risks associated with our international business operations;

- challenges in commercializing our products in new markets where we have limited experience with the local market dynamics and no existing or developed sales, distribution and marketing infrastructure;

- difficulties in dealing with regulatory regimes, regulatory bodies and government policies with which we may be unfamiliar, in order to obtain permits, licenses and approvals necessary to manufacture, market and sell products in or to various jurisdictions;

- adverse changes in, or our failure or the failure of our suppliers to comply with customs laws, regulations, tariffs and quotas set by the local government and PRC government when we import raw materials and consumables or export our products among the different countries or jurisdictions where we do business;

- potentially reduced protection for our IP rights and potential breach of third-party intellectual rights;

- differences in accounting treatment in different countries and jurisdictions, potential adverse tax implications and foreign exchange losses;

- inability to effectively enforce contractual or legal rights; and

- changes in laws, regulations and policies as well as political, economic and market instability or civil unrest in the relevant countries and jurisdictions.

If we are unable to effectively avoid or mitigate these risks, our ability to expand in international markets will be impaired, or our international business may not be able to achieve or sustain profitability, which could have a material and adverse effect on our business, financial condition, results of operations and prospects.

Expansion and acquisitions of or investments in our businesses, products, technologies, production capacity or know-how could subject us to risks and uncertainties.

We established Lynway Vision together with Geely Holding in 2018. In September 2021, we acquired the controlling interest in Lynway Vision and have consolidated its results since then. See "History, Development and Corporate Structure — Major Acquisitions, Disposals and Mergers — Acquisition of Lynway Vision" and Note 32 to the Accountants' Report of the Group in Appendix IA to this prospectus. The establishment and integration of Lynway Vision is subject to considerable uncertainties and risks, and requires, among other things, the ability to integrate Lynway Vision into our Group and to retain or replace certain qualified executives and other key employees at Lynway Vision. There can be no assurance that we will be able to achieve the anticipated effects or returns from our acquisition and consolidation of Lynway Vision in time or at all. It is possible that we may not be in a position to realize expected revenue, synergies, growth opportunities and/or other benefits after the acquisition and consolidation of Lynway Vision.

We may continually and actively seek strategic opportunities for acquisitions of or investments in businesses, products, technologies, production capacity or know-how that we believe would benefit our product development, R&D capabilities, technology, and distribution network. There can be no assurance that we could successfully execute our expansion and acquisition plans and complete the relevant transactions as expected. In addition, our ability to grow through acquisitions and investments depends upon our ability to identify and integrate suitable targets and to obtain necessary financing at reasonable terms. In particular, acquisitions may involve significant risks and uncertainties, including, but not limited to: (i) difficulties in integrating acquired companies, personnel or products into our business, particularly the different quality management, customer service and other business functions; (ii) delays or failures in realizing the benefits of acquisitions and investments; (iii) diversion of our management's time and attention from other business concerns; (iv) higher than anticipated costs of integration; or (v) difficulties in retaining key employees of acquired businesses. Furthermore, we may also discover deficiencies in internal controls, data adequacy and integrity, product quality, and regulatory compliance and liabilities in the businesses we have acquired which we did not uncover prior to such acquisitions. Consequently, we may become subject to penalties, lawsuits or other liabilities. Any difficulties in the integration of acquired businesses or products, or unexpected penalties, lawsuits or liabilities in connection with such businesses or products could materially and adversely affect our business, financial condition and results of operations.

Any failure to offer high-quality maintenance and support services for our customers may harm our relationships with them and, consequently, our business.

As we continue to grow our operations and support our customer base, we need to be able to continue to provide efficient support and effective maintenance that meets our customer demands at scale. As of May 31, 2024, we had more than 200 quality control personnel responsible for systematic quality management, R&D quality management, procurement quality management, production process quality management and customer service management. See "Business — Quality Control." We may not be able to recruit or retain sufficient qualified support personnel with experience in supporting customers of our products and solutions. As a result, we may be unable to quickly respond to accommodate short-term increases in customer demand for technical support or maintenance assistance. We may also be unable to modify the future scope of our maintenance services and technical support to compete with changes in the technical services provided by our competitors.

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 intelligent automotive vision products, and we generally provide a one-year warranty period for our high-end lighting products and advanced display products. The warranty agreements will be entered into according to the customers' templates upon request. See "Business — Quality Control — Quality Control Measures — Customer Service Management." If we experience increased customer demand for support and maintenance, we may face increased costs that might harm our results of operations. If we are unable to provide efficient customer maintenance and support, our business may be harmed. Our ability to attract new customers is highly dependent on our business reputation and on positive recommendations from our existing customers. Any failure to maintain high-quality maintenance and support services, or a market perception that we do not maintain high-quality maintenance and support services for our customers, would harm our business.

Our policy allows products with defects to be returned and exchanged by our customers within the warranty period. See "Business — Quality Control Measures — Customer Service Management." If we experience any deterioration in the quality of our products, we will incur higher costs associated with returns, exchanges and warranties. We may also be required by law to adopt new or amend existing return, exchange and warranty policies from time to time. While these policies improve customer experience and promote customer loyalty, which may in turn help us acquire and retain customers, they also subject us to additional costs and expenses which we may not recoup through increased revenue. We cannot assure you that our return, exchange and warranty policy will not be misused by our customers, which may significantly increase our costs and may materially and adversely affect our business and results of operations. If we revise these policies to reduce our costs and expenses, our customers may be dissatisfied, which may result in the loss of existing customers or failure to acquire new users at the pace desired, which may materially and adversely affect our results of operations.

Failure to successfully execute our equipment maintenance and upgrades and capacity expansion plans or to effectively utilize our production bases may have a material adverse effect on our business, financial condition and results of operations.

Our growth prospects and future profitability depend on, among others, our ability to upgrade and increase the production capability and capacity, either generally or with respect to demand from customers for particular products. See "Business — Production — Production Expansion Plan."

To successfully upgrade and expand our production capability and capacity, we need to make cost-effective and efficient upgrade and expansion plans, expand and construct new facilities or equipment either by our own R&D or procurements from third parties, and hire and train professionals necessary to operate such facilities or equipment, all of which may be affected by, several factors including, but not limited to, the following:

- availability of working capital for purchasing facilities or equipment;

- shortages or delays in the delivery of facilities or equipment;

- difficulties or delays which may arise in installing the facilities or equipment; and

- implementation of new production processes.

We cannot guarantee that our upgrade or expansion plan, if implemented, will be operationally or financially successful and substantiated by sufficient market demand for or profit margin of our products. If we are unable to implement the upgrade or expansion plan cost-effectively and efficiently, our business and profitability may be adversely affected. In particular, the implementation of our expansion plans may incur significant staff costs, depreciation and amortization charges and other expenses, which may adversely affect our financial condition.

In addition, if we do not receive sufficient orders from our customers to effectively utilize our production bases, we may be subject to low utilization rates of production capacity, over-capacity or high depreciation charges for our production bases, which may hurt our profitability and results of operations. Furthermore, if market demand declines in the future, we may not be able to recoup the costs incurred for construction of any new factories or expansion of any existing factories and maintenance of expanded production capacity. Any delay or cancellation of our expansion plan could also subject us to disputes with various counter-parties. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Failure to manage our future growth or profitability effectively may materially and adversely affect our business operations and prospects.

We experienced growth in revenue and gross profit margin during the Track Record Period. In 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, our revenue was RMB1,388.4 million, RMB1,410.6 million, RMB1,858.0 million, RMB624.6 million and RMB843.2 million, respectively, and our gross profit margin was 16.4%, 16.7%, 18.2%, 16.7% and 18.3%, respectively, during the same periods. However, this only reflects our historical performance and may not be indicative of our future performance. In addition, the profitability of our different businesses may fluctuate given different market conditions and our corresponding pricing strategies. For example, although the gross profit margin of our intelligent automotive vision business improved to 17.5% in 2022 from a gross loss margin of 1.1% in 2021 as we started to benefit from the economies of scale in 2022, the gross profit margin decreased to 14.9% in 2023 as we adopted a competitive pricing strategy to gain greater market share in response to the intense market competition.

The sustainability of our growth and profitability depends on a number of factors, many of which are beyond our control, including competition, regulatory evolvement, evolving customer demands and changes in economic condition. If we are not able to effectively manage our business growth and profitability, we may not be able to successfully implement the strategies necessary to further our business prospects on schedule or within our budget, or at all. Accordingly, we may not be able to sustain the growth and profitability we achieved in the past. Any failure to manage our future growth or profitability effectively may materially and adversely affect our business operations and prospects.

If we fail to manage our inventories effectively, our results of operations, financial condition and liquidity may be materially and adversely affected.

Our inventories are mostly raw materials and consumables, work in progress, finished goods and contract goods. As of December 31, 2021, 2022, 2023 and May 31, 2024, we had inventory of RMB188.0 million, RMB211.6 million, RMB216.0 million and RMB250.7 million, respectively. Our inventory turnover days in 2021, 2022, 2023 and the five months ended May 31, 2024 was 58, 61, 51 and 51, respectively. Our business model requires us to manage our inventories efficiently.

We depend on our demand forecasts to make purchase decisions for raw materials and consumables and to pace our production progress to manage our inventories. Such demand, however, can change significantly from time to time and we may not always be able to accurately make predictions. Demand may be affected by general market conditions, end market conditions, new product launches, pricing and discounts, and not all of them are within our control. In addition, as we develop and market a new product, we may not be successful in establishing stable and favorable supplier relationships or accurately forecasting demand. The acquisition of certain types of raw materials and consumables may require significant lead time and prepayment and they may not be returnable. Furthermore, as we plan to continue expanding our product offerings, we expect to include a wider variety of raw materials and consumables, which will make it more challenging for us to manage our inventory and logistics effectively.

We cannot guarantee that our inventory levels will be able to swiftly meet the demands of customers, which may adversely affect our revenue. We also cannot guarantee that all of our inventory can be sold as products within a reasonable period of time. If we fail to manage our inventory effectively, we may be subject to increased inventory storage costs, a heightened risk of inventory obsolescence, a decline in inventory value and significant inventory write-offs. Any of the above may materially and adversely affect our results of operations and financial condition. On the other hand, if we underestimate demand for our products, or if our suppliers fail to supply in a timely manner, we may experience inventory shortages, which might result in diminished customer base and lost of revenue, any of which could harm our business, financial condition and results of operations.

The development cycles of our products can be long and we are subject to risks relating to the planning and implementation of complex projects.

The planning and implementation process of our products is complex and the development cycles of our products can be long. For example, the product development process of intelligent automotive lamps generally can take around 12 to 18 months for the entire development cycle, while the development process of intelligent automotive lamps for automotive OEMs with which we cooperate for the first time can take even longer. In addition, there may be various challenges during the product development process, including, in particular, technical or process handling issues. As a result, we may face additional expenses and increased quality risks. If we are unable to resolve these issues, the development of that product may fail and our business plan and financial condition may be adversely affected.

Further, domestic automotive OEMs generally do not commit to minimum purchase quantities from their suppliers, even when a supplier is nominated for a certain vehicle. As such, we cannot guarantee that we may successfully commercialize such product development results on a timely basis at favorable margins. Any of these factors or developments could have a material adverse effect on our business, financial condition and results of operations.

We may have limited control over the quality, availability and costs of our subcontractors.

During the Track Record Period, we engaged certain subcontractors to produce advanced display LED modules. 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 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. See "Business — Procurement and Supply Chain Management — Subcontracting." Our inability to hire qualified subcontractors may hinder our ability to complete a project successfully. Our regularly monitor and quality checks on the performance of subcontractors may not be effective or sufficient to ensure their service quality. We are exposed to legal liabilities if we are not able to monitor the performance of our subcontractors, or if our subcontractors violate any laws, rules or regulations in connection to matters such as environmental protection, and health and safety, which may affect their renewal of relevant registrations or license or may even lead to revocation of their registrations or license.

In addition, the subcontracting arrangement also exposes us to risks associated with any nonperformance, delayed performance or substandard performance by our subcontractors. In such case, we will have to appoint replacement subcontractors and additional costs will be incurred. We may also incur additional costs or be subject to liability due to delay in schedule or defect in the works of our subcontractors or if there is any accident causing personal injuries or death of our subcontractors' employees. These events may impact our profitability, financial results and reputation, as well as result in litigation or damages claims.

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.

We engage logistics service providers to transport products to our customers. The services provided by our logistics service providers may be suspended, canceled or delayed for various reasons beyond our control, including improper handling by our logistics service providers, labor disputes or strikes, acts of war or terrorism, outbreaks of epidemics, earthquakes and other natural disasters, which could cause interruption to the sales or delivery of our products. Disputes with or a termination of our contractual relationships with one or more of our logistics companies could result in delayed delivery of products or increased costs. If we are unable to maintain or develop good relationships with logistics companies or find suitable replacements in a timely manner, it may inhibit our ability to offer products in sufficient quantities, on a timely basis, or at prices acceptable to our customers. In addition, any improper handling of our products by the logistics service providers could also result in product damage, which may in turn lead to product recalls, product liabilities, increased costs and damage to our reputation, which may in turn adversely affect our business, financial condition and results of operations. Any increase in the service costs of our logistics service providers may also lead to an increase to our logistic expenses, which may in turn negatively affect our results of operations.

We rely on third-party service providers and business partners to provide products and services to us and our customers.

We work with a broad range of third-party service providers and business partners, including logistic service providers, subcontractors and channel partners. These third parties are subject to risks similar to ours relating to business interruption, systems and employee failures, and cybersecurity and data protection, and are also subject to their own legal, regulatory and market risks.

Our third-party service providers and business partners may not fulfill their respective commitments and responsibilities in a timely manner and in accordance with the terms agreed upon or applicable laws. In addition, while we have procedures in place for assessing risks along with selecting, managing and monitoring our relationships with third-party service providers, suppliers and business partners, we do not have control over their business operations or governance and compliance systems, practices and procedures, which may increase our financial, legal, operational and reputational risk. If we are unable to effectively manage our relationships with third-party service providers, suppliers and business partners, or for any reason our third-party service providers, suppliers or business partners fail to satisfactorily fulfill their commitments and responsibilities, our business, results of operations and financial condition could suffer. Upon expiry of existing contracts with third parties, we may not be able to renew such contracts at terms commercially favorable to us, if at all, or find an appropriate substitute in a timely manner, in which case our business may be adversely affected.

Our facilities and production are susceptible to interruption, damage or loss caused by power outages or other events beyond our control.

We have a large number of facilities at which our products are developed and manufactured. Our development, production and procurement processes involve many different, often interrelated phases and are complex to manage. Even when technical and safety standards for the construction, operation and maintenance of our facilities and equipment are observed, operational disruptions and delays may still happen. As such, interruptions, damage or loss to our production facilities and equipment caused by fire, severe weather, earthquakes or other acts of God or other events which are beyond our control could harm our business, operating results and prospects.

In addition, our manufacturing processes require a stable source of electricity. The local electricity supply may not be reliable or stable for consumption at all times. We cannot guarantee that we will not experience blackouts or a shortage of electricity in the future. If we do not have adequate electricity to sustain normal production, we may need to limit, delay or halt our production, and any production downtime or stoppage can have a significant negative effect on our reputation and general business operations and, in the case of insufficient insurance coverage, may also have material adverse effects on our business, financial condition and results of operations.

Our performance depends on favorable labor relations with our employees, and any deterioration in labor relations, shortage of labor or material increase in wages may have a material adverse effect on our results of operations.

Our success depends on our ability to hire, train, retain and motivate our employees. As of May 31, 2024, we had 2,216 full-time employees. See "Business — Employees." We have not experienced any material work stoppages or strikes in the past. However, we cannot guarantee that any of such events will not arise in the future. If our employees engage in a strike or other work stoppage, we may experience significant operational disruption and/or accept higher labor costs, resulting in an adverse effect on our businesses, financial condition and results of operations. Our employees are currently represented by labor unions. We regard favorable labor relations as a significant factor that can affect our performance and any deterioration in our labor relations with employees or the labor union could cause labor disputes, which could result in the disruption of production and operations. In January 2024, a local people's court ordered one of our subsidiaries to pay a former employee of ours approximately RMB4.1 million in relation to a compensation dispute. See "Business — Legal Proceedings and Compliance — Legal Proceedings." Furthermore, certain professionals in our industry may be subject to noncompete restrictions, we may be impacted by such agreement.

In 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, our total staff costs (including staff costs under cost of sales, selling and marketing expenses, administrative expenses and research and development costs) amounted to RMB139.4 million, RMB166.4 million, RMB200.7 million, RMB72.6 million and RMB90.1 million, respectively, representing 10.0%, 11.8%, 10.8%, 11.6% and 10.7% of our total revenue for the same periods, respectively. In addition, labor costs in regions where we operate have been increasing in recent years and may potentially continue increasing. As such, we may have to increase our total compensation to attract and retain the experienced professionals required to achieve our business objectives. However, these increased costs might not be able to be passed onto customers by increasing our products' selling prices in light of market competition. In such circumstances, our profit margin may decrease, which could have an adverse effect on our financial condition and results of operations.

Our performance may suffer from business disruptions associated with information technology, system implementations, or catastrophic losses affecting our IT systems.

We rely on our IT systems to manage and operate our businesses, and record and process transactions. The satisfactory performance, reliability and carrying capacity of our IT system and servers are critical to our success and our ability to provide quality services. Consistent and efficient operation of the IT systems is imperative to the successful sales and earnings performance of our various businesses in many countries and jurisdictions. In addition, we rely on our systems and network to provide high-quality products and services. However, our systems and network operations are vulnerable to disruptions arising from human error, power failure, computer viruses, spam attacks, unauthorized access and other similar events. Disruptions to, or instability of, our systems and network that hinder our customers from reaching our products or prevent us from maintaining our technical secrets could harm our business and reputation.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to such disruptions or instabilities that had materially and adversely affected our systems and network operations. However, there can be no assurance that we would not in the future be subject to such disruptions or instabilities that may result in material damages or remediation costs. Additionally, we must continue to upgrade and improve our IT system to support our business growth, and failure to do so could impede our growth. However, we cannot assure you that we will be successful in executing these IT system upgrades and improvement strategies. In particular, our IT systems may experience interruptions during upgrades, and the new technologies or infrastructures may not be fully integrated with the existing systems on a timely basis, or at all.

If our IT system does not function properly, it could cause system disruptions and slow response times, affecting data transmission, which, in turn, could materially and adversely affect our business, financial condition and results of operations.

If we fail to maintain effective internal controls, our business, financial results and reputation could be materially and adversely affected.

Our success depends on our ability to effectively utilize our standardized management system, information systems, resources and internal controls. As we continue to expand, we will need to modify and improve our financial and managerial controls, reporting systems and procedures and other internal controls and compliance procedures to meet our evolving business needs. For example, we entered into sales agreements with an individual customer, in 2021 and 2022. Our transactions with the customer were settled through third-party accounts in 2021 and 2022, relevant revenue amounting to RMB1.41 million and RMB0.69 million, respectively. The third-party accounts were held by two of the customer's relatives. The customer made this arrangement primarily to facilitate funds transfer in a more flexible and convenient manner. Starting from January 2023, we strengthened settlement management and stopped accepting third-party settlement and had no more transaction settled by parties other than our contractual customers. If we are unable to improve our internal controls, systems and procedures, they may become ineffective and cause errors, information lapses or production breakdowns that may adversely affect our business. If we are not successful in identifying and overcoming weaknesses in our internal controls, our ability to effectively manage our business may be affected.

Negative publicity and allegations involving us, our shareholders, directors, officers, employees and business partners may affect our reputation and, as a result, our business, financial condition and results of operations may be negatively affected.

Negative publicity and allegations involving us, our shareholders, directors, officers, employees and business partners, or the LED intelligent vision market as a whole may materially and adversely harm our brand image and reputation and cause deterioration in the level of market recognition of and trust in the products provided by us, thereby resulting in reduced sales volumes and revenues, potential loss of business partners as well as the loss of highly qualified personnel with specialized skills. In addition, such negative publicity may come from malicious harassment or unfair competition acts by third parties, which are beyond our control. Such negative publicity may also result in the diversion of management's attention, and governmental investigations or other forms of scrutiny, which may have a material and adverse effect on our business, financial condition, results of operations and prospects.

Any reduction or discontinuation of preferential tax treatment or government grants may adversely and materially impact our financial condition and results of operations.

We benefited from preferential tax treatment and government grants during the Track Record Period. The PRC EIT Law and its implementation rules have adopted a statutory enterprise income tax rate of 25%. However, the income tax of an enterprise that has been determined to be a high and new technology enterprise can be reduced to a preferential rate of 15%. Our Company and Lynway Vision were both qualified as a High and New Technology Enterprise under the relevant PRC laws and regulations, in December 2021 and December 2022, respectively, and such qualification may be renewed every three years. In addition, our Company, Lynway Vision and Linlux were subject to 100% of weighted pre-tax deduction of R&D expenses. If we cease to be entitled to preferential tax treatment or if the relevant PRC laws and regulations change, our income tax expenses may increase, which would adversely affect our financial condition and results of operations.

We have also received government grants. Our government grants recognized in profit or loss amounted to RMB29.9 million, RMB12.7 million, RMB11.2 million, RMB6.2 million and RMB1.4 million in 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, respectively. See "Financial Information — Principal Components of Our Consolidated Statements of Profit or Loss — Other Income and Gains." We cannot assure you that we will continue to receive and benefit from such grants in the future.

We have granted, and may continue to grant, share options and other types of awards under our share incentive plan, which may result in increased share-based payment expenses.

We revised the existing share incentive scheme and adopted new ones on December 4, 2023 to incentivize the management team, retain talent and promote our long-term sustainable development. As of the Latest Practicable Date, 32,533,698 Shares were held by the employee shareholding platforms. See "Appendix VI — Statutory and General Information — Further Information about Our Directors, Supervisors, Management and Substantial Shareholders — Share Incentive Schemes." Our share-based payment expenses were RMB1.7 million, RMB1.7 million, RMB3.2 million, RMB0.7 million and RMB3.1 million in 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, respectively. We believe the granting of share-based compensation benefits is of significant importance to our ability to attract and retain key personnel and employees, and we will continue to grant share-based compensation benefits to employees in the future. As a result, our share-based payment expenses may increase, which may have an adverse effect on our results of operations.

We are subject to credit risk in respect of our trade and bills receivables.

Our trade and bills receivables represent amounts due from our customers for products in the ordinary course of business. The carrying amount of trade and bills receivables balance of RMB509.0 million, RMB583.2 million, RMB669.5 million and RMB747.6 million, respectively, as of December 31, 2021, 2022, 2023 and May 31, 2024, represented our maximum exposure as of the respective dates to credit risk in relation to trade and bills receivables. As of December 31, 2021, 2022, 2023 and May 31, 2024, our impairment on trade and bills receivables amounted to RMB10.1 million, RMB12.1 million, RMB13.4 million and RMB14.9 million, respectively.

We generally grant credit terms of 60 to 120 days to our customers. However, there can be no assurance that the collection of amounts due from our customers will be timely. This might result in slow turnover of our trade and bills receivables and restrict our working capital resources. As of December 31, 2021, 2022, 2023 and May 31, 2024, the turnover days for our trade and bills receivables amounted to 112, 144, 124 and 129, respectively. See "Financial Information — Description of Certain Components of Our Consolidated Statements of Financial Position — Trade and Bills Receivables." If we fail to receive payments from our customers on a timely basis, our cash flows and financial condition could be materially and adversely affected.

We may be exposed to risks arising from changes in financial assets at fair value through profit or loss.

As of December 31, 2021, 2022, 2023 and May 31, 2024, we recorded financial assets at fair value through profit or loss of RMB111.3 million, RMB98.3 million, RMB187.5 million and RMB116.9 million, respectively. Our financial assets at fair value through profit or loss recorded as current assets represented investments in wealth management products. Our financial assets are measured at fair value, subject to changes beyond our control. The investment income on financial assets at fair value through profit or loss is recorded under other income and gains. In 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, our investment income from financial assets at fair value through profit or loss amounted to RMB1.1 million, RMB2.2 million, RMB4.0 million, RMB1.1 million and RMB1.4 million, respectively. While we recorded fair value gains on financial assets at fair value through profit or loss of RMB0.4 million, RMB1.2 million, RMB0.5 million and RMB0.4 million in 2021, 2023 and the five months ended May 31, 2023 and 2024, respectively, we recorded fair value loss on financial assets at fair value through profit or loss of RMB0.1 million in 2022. Our financial assets at fair value through profit or loss may fluctuate, which may affect our results of operations and financial condition.

Failure to fulfill our obligations in respect of contract liabilities could adversely affect our liquidity and financial condition.

Our contract liabilities mainly represent cash collections in advance of fulfilling performance obligations. Our contract liabilities increased from RMB7.8 million as of December 31, 2021 to RMB13.6 million as of December 31, 2022, to RMB14.0 million as of December 31, 2023 and decreased to RMB13.7 million as of May 31, 2024. There is no assurance that we will be able to fulfill our obligations in respect of contract liabilities as the fulfillment of our performance obligations is subject to various factors that are beyond our control. If we are not able to fulfill our obligations with respect to our contract liabilities, the amount of contract liabilities will not be recognized as revenue, and we may have to refund advance payments made by our customers. As a result, our liquidity and financial condition may be adversely affected.

We may not be able to obtain adequate financing on commercially reasonable terms on a timely manner, or at all, and any debt financing may contain covenants that restrict our business or operations.

We require significant working capital for our operations or expansion. Our total indebtedness may continue to increase. See "Financial Information — Indebtedness." Historically, we have generally relied on capital contributions from shareholders, bank loans and other external financing as well as cash generated from our operations to fund our operations and expansion. There can be no assurance that the cash flow generated by our operations will be sufficient to fund our future operations and expansion plans. Our ability to obtain adequate external financing depends on various factors, including our business operations and financial performance, as well as other factors beyond our control, such as the global and local economies, the applicable laws, regulations and policies, and the interest rate and other conditions of the external financial resources available. If we will not be able to procure bank loans or other external financing with commercially reasonable terms or on a timely basis or at all, our business, financial condition, results of operations and business prospects may be materially and adversely affected.

In addition, we may obtain bank loans with financial covenants that include certain restriction upon our operations. Any failure by us to comply with or violate such covenants may constitute an event of default on our loans. If any default occurs, our financial condition, results of operations and cash flows may be materially and adversely affected.

Furthermore, if we acquire additional funding due to our future operations or market changes, we may issue additional equity securities or securities convertible into our equity securities, issue debt securities or obtain credit facilities to meet our capital requirements. Any future sale by us of our equity securities or securities convertible into our equity securities would dilute Shareholders' interests. The incurrence of additional debt would also result in restrictive covenants limiting our shareholding structure, business and/or operations.

We are exposed to market risk from changes in foreign currency exchange rates which could materially and adversely impact our profitability.

We sell our products in many countries and jurisdictions throughout the world. As a result, there is exposure to foreign currency risk as we enter into transactions and make investments denominated in multiple currencies. For example, changes in currency exchange rates may affect the relative prices at which we and our competitors sell products in the same market and the cost of products and services we require for our operations. Our predominant exposures are in US dollar and RMB. We are subject to risks arising from the translation of balance sheets and income statements of our subsidiaries to US dollars as well as risk arising from the export of products and sales outside the country of manufacturing. With respect to the effects on translated earnings, if the RMB strengthens relative to local currencies, our earnings could be negatively impacted. Our gains on foreign exchange differences were RMB0.6 million, RMB5.3 million, RMB0.2 million, RMB0.2 million and RMB0.7 million in 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, respectively. The translational and transactional impacts will vary over time and may be more material in the future. There can be no assurance that we can implement effective measures to reduce or eliminate our exposure to fluctuations in foreign exchange rates.

If we determine our intangible assets to be impaired, our results of operations and financial condition may be adversely affected.

As of December 31, 2021, 2022, 2023 and May 31, 2024, our goodwill amounted to RMB13.5 million, RMB13.5 million, RMB13.5 million and RMB13.5 million, respectively. Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period. For details of our goodwill and the relevant impairment policies, see Note 2.3 and Note 15 to the Accountants' Report of the Group in Appendix IA to this prospectus. If we determine our goodwill to be impaired, our results of operations and financial condition may be adversely affected.

As of December 31, 2021, 2022, 2023 and May 31, 2024, our other intangible assets amounted to RMB39.4 million, RMB33.5 million, RMB26.8 million and RMB25.6 million, respectively, which primarily consist of in-licensed trademarks and patents and office software. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for intangible assets with a finite useful life are reviewed at least at each financial year end. For details of our intangible assets (other than goodwill) and the relevant impairment policies, see Note 2.3 and Note 16 to the Accountants' Report of the Group in Appendix IA to this prospectus. If we determine our intangible assets (other than goodwill) to be impaired, our results of operations and financial condition may be adversely affected.

The recoverability of our deferred tax assets is subject to accounting uncertainties.

In the application of our accounting policies, our management is required to make judgments, estimates and assumptions about the carrying amounts of certain assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Therefore, actual results may differ from these accounting estimates. As of December 31, 2021, 2022, 2023 and May 31, 2024, we recognized deferred tax assets of RMB9.0 million, RMB37.7 million, RMB37.0 million and RMB37.9 million, respectively. Based on our accounting policies, deferred tax assets are recognized for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. For details of our deferred tax assets and the relevant recognition policies, see Note 2.3 and 17 to the Accountants' Report of the Group in Appendix IA to this prospectus. The recognition of a deferred tax asset mainly depends on our management's judgment as to whether sufficient future profits or deductible temporary differences will be available in the future. Management will continue to conduct review and additional deferred tax assets can be recognized if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered. If sufficient profits or deductible temporary differences are not expected to be generated or are less than expected, a material reversal of deferred tax assets may arise in the future.

We may infringe intellectual property rights of third parties, which can lead us to time-consuming and costly intellectual property infringement claims.

We cannot be certain that our operations or any aspects of our business do not or will not infringe upon or otherwise violate trademarks, patents, copyrights, know-how or other IP rights held by third parties. We may also, from time to time in the future, be subject to legal proceedings and claims relating to the IP rights of others. In addition, there may be third-party trademarks, patents, copyrights, know-how or other IP rights that are infringed upon by our solutions, services or other aspects of our business without our knowledge. Holders of such IP rights may seek to enforce such IP rights against us in the PRC or other jurisdictions. If any third-party infringement claims are brought against us, we may be forced to divert our management's time and other resources from our business and operations to defend these claims, regardless of their merits.

Additionally, the application and interpretation of the PRC laws relating to IP, the procedures and the standards for granting trademarks, patents, copyrights, know-how or other IP rights in the PRC are still evolving, and we cannot assure you that the PRC courts or regulatory authorities would agree with our analysis. If we were found to have violated the IP rights of others, we may be subject to liability for our infringement activities or may be prohibited from using such intellectual properties, and we may incur licensing fees or be forced to develop alternatives of our own. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

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.

We cannot assure you that we can prevent third parties from infringing upon our IP rights. Unauthorized use of our IP, unfair competition, defamation or other violations of our rights by our users, employees and/or third parties may harm our brand and reputation, and the expenses incurred in protecting our IP rights may materially and adversely affect our business. We may, from time to time, be required to institute litigation, arbitration or other proceedings to enforce our IP rights, which would likely be time-consuming and expensive to resolve and would divert our management's time and attention regardless of its outcome, materially and adversely affecting our business, financial condition and results of operations.

Our measures to enforce or defend our IP rights may not always be successful. Preventing any unauthorized use of our intellectual properties is difficult and costly and the steps we take may be inadequate to prevent the misappropriation of our intellectual properties. In the event that we resort to litigation to enforce our IP rights, such litigation could result in substantial costs and a diversion of our managerial and financial resources. In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors. Any failure in protecting or enforcing our IP rights may have a material and adverse effect on our business, financial condition, results of operations and prospects.

New legislation or changes in the regulatory requirements regarding the end markets of our products may affect our business operations and prospects.

We offer a broad portfolio of LED products which can be used for a wide range of end markets, including the intelligent automotive vision, high-end lighting and advanced display.

For example, we benefit from PRC government policies at central and local levels that support the development of electronic products and EVs. The Several Measures for Promoting the Consumption of Electronic Products (《關於促進電子產品消費的若干措施》) and the Several Measures for Promoting Automobile Consumption (《關於促進汽車消費的若干措施》) issued by

NDRC and other PRC central departments in July 2023 detailed measures to boost the consumption of automotive and electronic products, including supporting the construction of supporting facilities for EVs, promoting the purchase of EVs in the public sector, increasing car consumption credit support, creating more electronic products consumption scenarios and improving the selling and delivering system of electronic products. Any termination or reduction of the governmental subsidies or other supports may adversely impact the sales volume of the EVs and domestically manufactured vehicles of our customers, which will in turn adversely impact our results of operations, demand for our intelligent automotive vision products, financial condition and our growth prospects.

While we may need to change or adapt our business focus from time to time in response to new rules and regulations regarding the end markets of our products, we may not be able to do so timely and efficiently. Any new legislation or changes in the regulatory requirements could materially and adversely affect our business, financial condition and results of operations. See "Regulatory Overview."

Our employees and business partners may engage in intentional or negligent misconduct, or violate our internal policies and laws, which could impair the quality of our service, cause us to lose customers or subject us to liabilities.

We risk compromising the quality of our products if our employees and business partners do not perform in accordance with our standards. We have internal policies and guidelines to monitor and ensure the products delivered to our customers are of satisfactory standard. In addition, we have adopted and strictly implemented a series of procedures designed to verify the integrity and qualifications of our employees before they are engaged, and of partners prior to any cooperation. Nevertheless, we cannot guarantee that our employees and business partners will not engage in any intentional or negligent misconduct.

Furthermore, we may be exposed to the risks of fraud or other unlawful activities committed by our employees and business partners. Fraud or other unlawful activities by our employees and business partners may include making unauthorized misrepresentation to our customers, misappropriating third-party IP and other proprietary rights, misusing sensitive customer information and engaging in bribery or other unlawful payments. In any such event, we could incur liability to our customers or any other third parties.

Any claims could subject us to costly litigation and affect our financial condition, and may distract the attention of our management regardless of whether the claims have merit. Any claims could result in complaints from our customers or other third parties, regulatory or legal liabilities or damages to our reputation.

We may be subject to complaints, disputes and lawsuits in the ordinary course of our business.

We may be subject to various complaints, disputes and lawsuits arising out of the ordinary course of our business, including, from time to time, actual or threatened litigation relating to commercial transactions, product liability, workers' compensation, IP claims and regulatory actions. If any complaint is dealt with improperly, we may be subject to litigation and required to pay substantial damages. We were involved in litigations arising out of the ordinary course of our business during the Track Record Period and as of the Latest Practicable Date. See "Business — Legal Proceedings and Compliance — Legal Proceedings." Any complaints, disputes and lawsuits filed by or against us, whether or not meritorious, could result in significant costs and diversion of resources, and could cause serious damage to our reputation.

Specifically, we manufacture products that create exposure to product liability claims. If such products are not properly designed, manufactured or delivered, personal injuries, property damage or business interruptions could result, which could subject us to claims for damages. The costs in connection with defending product liability claims and payment of damages may be substantial. Our reputation could also be adversely affected by such claims, whether or not successful. Furthermore, defective products could result in loss of sales volume or customers and would consequently have a materially adverse effect on our reputation. In addition, potential damages claimed by customers, delayed deliveries, or our failure to comply with quality requirements could negatively affect market acceptance of our other products, which could have a material adverse effect on our business, financial condition and results of operations. During the Track Record Period and up to the Latest Practicable Date, 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.

In addition, complaints, disputes and lawsuits filed against us may result from improper or poor quality supplies made to us, while our suppliers may not compensate us for any costs we incur, as a result of such complaints, disputes and lawsuits, in a timely manner or at all. In that case our business and financial condition may be negatively affected.

Our business operates under various permits, licenses, approvals and/or qualifications and the loss of or failure to obtain or renew any or all of these permits, licenses, approvals and/or qualifications may materially and adversely affect our business, results of operations and financial condition.

In accordance with the laws and regulations in the jurisdictions in which we operate, we are required to maintain various approvals, licenses, permits and certifications in order to operate our business. See "Business — Licenses, Approvals and Permits." Complying with such laws and regulations may require substantial expense and may impose a significant burden, while any noncompliance may expose us to liability. Furthermore, with the introduction and enactment of new laws and regulations, as well as the refinement of interpretations and applications of existing ones, we cannot guarantee that we will be able to obtain all requisite approvals, licenses, permits and certifications.

In addition, in the event that we are required to renew our existing licenses or permits or acquire new ones, whether as a result of the promulgation of new laws and regulations or otherwise, we cannot assure you that we will be able to meet the requisite conditions and requirements, or obtain all requisite approvals, licenses, permits and certifications in a timely manner. If we are unable to obtain, or experience material delays in obtaining, necessary government approvals, our operations may be substantially disrupted, which could materially and adversely affect our business, financial condition and results of operations.

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.

According to the Regulation on the Administration of Housing Provident Funds (《住房公積金管理條例》), which was promulgated by the State Council and became effective on April 3, 1999, and subsequently amended on March 24, 2019, we are required to set up housing provident fund accounts (住房公積金賬戶) and pay the housing provident fund on time and in full for our employees. According to the PRC Social Insurance Law (《中華人民共和國社會保險法》), which was promulgated by the Standing Committee of the National People's Congress on October 28, 2010, effective on July 1, 2011 and last amended and effective on December 29, 2018, a PRC enterprise is required to obtain social insurance certificates for its employees and to pay the social insurance contributions on time and in full. 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. 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. See "Business — Employees." As advised by our PRC Legal Advisor, an employer that has not made social insurance contributions in full and on time as prescribed by the law, may be ordered by social insurance contributions collection institutions to rectify the non-compliance and pay the required contributions within a stipulated deadline and be subject to a late payment fee of up to 0.05% per day. If the employer still fails to rectify the failure to make social insurance contributions within the stipulated deadline, it may be subject to a fine ranging from one to three times the amount overdue. In addition, an employer that has not made housing provident fund contributions at a rate and based on an amount prescribed by the law, or at all, may be ordered by the housing provident fund management center to rectify the noncompliance and pay the required contributions within a stipulated deadline. If the employer still fails to rectify the failure to make housing provident fund contributions within the stipulated deadline, it may be subject to the court's compulsory enforcement.

During the Track Record Period, we were not subject to any administrative penalties in terms of the contribution of social insurance premium and housing provident funds pursuant to the credit reports obtained from the provincial credit information platform and written confirmations issued by competent government authorities. 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. However, we cannot assure you that the competent government authorities will not require us to pay the outstanding amount and impose late payment fees or fines on us. If we are subject to investigations related to noncompliance with labor laws and are imposed additional contributions to social insurance premiums and housing provident funds, and late payments and fines, our labor costs could increase. Such increases could adversely affect our business, results of operations, financial condition and prospects.

We may be subject to fines or other penalties under the PRC Labor Contract Law, which may adversely affect our business, profitability and reputation.

During the Track Record Period, we engaged third-party employment agencies to dispatch contract workers. On December 28, 2012, the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) was amended to impose more stringent requirements on labor dispatch and such amendments became effective on July 1, 2013. For example, the number of dispatched contract workers that an employer hires may not exceed a certain percentage of its total number of employees, to be decided by the Ministry of Human Resources and Social Security, and the dispatched contract workers may only engage in temporary, auxiliary or substitutable work. According to the Interim Provisions on Labor Dispatch (《勞務派遣暫行規定》) promulgated by the Ministry of Human Resources and Social Security on January 24, 2014, which became effective on March 1, 2014 (the "**Interim Provisions**"), the number of dispatched contract workers hired by an employer shall not exceed 10% of the total number of its employees (including both directly hired employees and dispatched contract workers). The Interim Provisions further require the employer that is not in compliance with the above provisions to formulate a plan to reduce the number of its dispatched contract workers to below 10% of the total number of its employees. In addition, an employer is not permitted to hire any new dispatched contract worker until the number of its dispatched contract workers has been reduced to below 10% of the total number of its employees. 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.

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 and the Interim Provisions. Even though we had not received any notice of warning or been subject to any administrative penalties or other disciplinary actions from relevant PRC authorities, we cannot assure you that the relevant PRC authorities will not take actions retrospectively against us for our past practice. Such actions may adversely affect our business, results of operations and reputation.

As the interpretation and implementation of the Labor Contract Law, the Social Insurance Law and other labor related regulations (the "**labor-related laws and regulations**") continually evolve, we cannot assure you that our employment practices do not and will not violate labor-related laws and regulations in the PRC, which may subject us to labor disputes or government investigations. If we are deemed to have violated relevant labor-related laws and regulations, we could be required to provide additional compensation to our employees and our business, financial condition and results of operations could be materially and adversely affected.

We are subject to national and local environmental and health and safety directives, laws and regulations.

We are subject to a number of environmental, fire control and health and safety laws and regulations, including, but not limited to, the treatment and discharge of pollutants into the environment during our business operations. In addition, our production lines can only be put into operation after the relevant administrative authorities in charge of environmental protection, fire control and health and safety have examined and approved the relevant facilities in China or certain other jurisdictions. We may not be fully compliant with these requirements and may experience several isolated immaterial incidents, and cannot assure you that we will be able to comply with all regulations and obtain all the regulatory approvals required for our production in a timely manner, or at all. Delays or failures in obtaining all the requisite regulatory approvals of such facilities may affect our ability to develop, manufacture and commercialize our products in line with our plans. As requirements imposed by such laws and regulations may change and more stringent laws or regulations adopted, we may not be able to comply with, or accurately predict any potential substantial cost of complying with, these laws and regulations. If we fail to comply with relevant laws and regulations, we may be subject to rectification orders, substantial fines, potentially significant monetary damages, or production suspensions in our business operations. In addition, we cannot fully eliminate the risk of accidental contamination, biological or chemical hazards or personal injury at our facilities during the process of testing, developing and manufacturing our products. In the event of an accident involving a breach of any of these laws and regulations, we could be held liable for damages and clean-up costs which, to the extent not covered by existing insurance or indemnification, could harm our business. Other adverse effects could result from such liability, including reputational damage.

Furthermore, we may be required to incur substantial costs to comply with current or future environmental laws and regulations. These current or future laws and regulations may impair our R&D or production efforts, or both. Failure to comply with these laws and regulations also may result in substantial fines, penalties or other sanctions. Any of the foregoing could materially and adversely affect our business, financial condition, results of operations and prospects.

Failure to comply with PRC property-related laws and regulations regarding certain of our owned and leased properties may adversely affect our business.

We lease properties mainly for offices and employee dormitories. As of the Latest Practicable Date, with respect to our eight out of 19 leased properties in China, we have not received real estate ownership certificates or proof of authorizations from the lessors or the property owners. These leased properties are used as employee dormitories. Therefore, such lessors may not be entitled to lease the relevant properties to us. As advised by our PRC Legal Advisor, without valid real estate ownership certificates or proof of authorizations from the lessors or the property owners, our use of these leased properties may not be valid or may be affected by third parties' claims or challenges against the lease. 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. Furthermore, as of the Latest Practicable Date, we had not obtained real estate certificates for eight owned properties. See "Business — Properties — Owned Properties." If we are challenged by third parties or government authorities upon any of the circumstances stated above, we may be subject to fines and may be forced to relocate, as the case may be, and, as a result, our results of operations and financial condition may be adversely affected. Furthermore, if we are not able to find a suitable location with commercially reasonable terms or on a timely basis or at all, our operations will be interrupted.

We are subject to anti-corruption, anti-bribery, sanctions and similar laws, and noncompliance with such laws can subject us to administrative, civil and criminal fines and penalties, collateral consequences, remedial measures and legal expenses.

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. In 2021, 2022, 2023 and the five months ended May 31, 2024, our overseas suppliers amounted to three, three, five and six, respectively. We are subject to anti-corruption, anti-bribery, sanctions and similar laws and regulations in various countries or jurisdictions in which we conduct business. We have implemented policies and procedures designed to ensure compliance by us and our Directors, officers, employees, representatives, consultants, agents and business partners with laws and regulations. However, our policies and procedures may not be sufficient, and our directors, officers, employees, representatives, consultants, agents and business partners may engage in improper conduct for which we may be held responsible. Specifically, exports of our products must be made in compliance with various economic sanctions and export control laws in different jurisdictions. We take precautions to prevent our products from being provided to any target of sanctions. However, we cannot assure you that our products would not be resold or otherwise provided to such targets by our distributors or customers. Any such resale or provision could subject us to potential government investigations, penalties and reputation damage.

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any incidents or claims due to anti-corruption, anti-bribery, sanctions and similar laws, and noncompliance with such laws that had materially and adversely affected our business operations. Noncompliance with anti-corruption or anti-bribery laws and regulations could subject us to whistleblower complaints, adverse media coverage and investigations, and severe administrative, civil and criminal sanctions, collateral consequences, remedial measures and legal expenses, all of which could materially and adversely affect our business, results of operations, financial condition and reputation.

We may not have sufficient insurance to cover our business risks.

We face various risks in connection with our business, and may lack adequate insurance coverage or have no relevant insurance coverage. As of the Latest Practicable Date, we had obtained and maintained insurance policies that we believe are customary for businesses of our size and type and in line with standard commercial practice in China. As of the Latest Practicable Date, we had not maintained product liability insurance, and do not carry any business interruption or litigation insurance. See "Business — Insurance." We cannot guarantee that a product liability claim or other litigation will not be brought against us in the future, or that we will be able to purchase product liability insurance or other related insurance on acceptable terms. If we were to incur substantial losses or liabilities due to fire, explosions, floods or other natural disasters, disruption in our network infrastructure, production facilities or business operations, or any material litigation, our results of operations could be materially and adversely affected. Our current insurance coverage may not be sufficient to prevent us from suffering any loss and there is no certainty that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we were held liable for uninsured losses or amounts and claims for insured losses exceeding the limits of our insurance coverage, our business, financial condition and results of operations may be materially and adversely affected.

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.

Our operations may also be negatively affected by any deterioration in the political and economic relations among countries and sanctions and export controls administered by the governmental authorities in the countries in which we operate or distribute our products, and other geopolitical challenges, including, but not limited to, economic and labor conditions, increased duties, taxes and other costs as well as political instability. Furthermore, concerns over inflation, energy costs, geopolitical frictions, capital market volatility and liquidity issues may create difficult operating conditions in the future. Sales of our products in certain countries and sales of products that include components obtained from certain foreign suppliers could be materially and adversely affected by international trade regulations, including duties, tariffs and antidumping penalties. The current tension in international trade and rising political tension, particularly those between the U.S. and China, may affect the business operations and results of operation of our customers. This could potentially affect their demand for our LED intelligent vision products. See "— Demand for our LED products depends on trends and developments in their corresponding end products and end markets." The U.S. government recently made statements and took certain actions that may lead to changes to U.S. and international trade policies, including increasing tariffs under Section 301 of the Trade Act of 1974 on $18 billion of imports from China. The tariff rate on imported Chinese EVs is set to increase from 25% to 100% in 2024. Similarly, on October 4, 2024, the European Union members voted to adopt provisional countervailing duties of up to 38.1% on imports of Chinese-made BEVs. A final decision is expected to be issued by the end of October 2024 if discussions between the authorities fail to reach an effective solution. While our intelligent automotive vision products can be applied in both EVs and ICE vehicles, and to the best of our knowledge, EVs that adopt our intelligent automotive vision products were primarily sold in China, unfavorable government policies on international trade may affect the demand for and competitive position of our intelligent automotive vision products. See "Business — Our Products — Intelligent Automotive Vision — Pipeline of Intelligent Automotive Vision Products."

The international trade policies and trade protection measures are likely subject to frequent changes, and their interpretation and enforcement involve substantial uncertainties, which may be heightened by national security concerns or driven by political and/or other factors that are beyond our control. These may materially and adversely affect us and our key suppliers' and customers' abilities to obtain technologies, systems, devices or components that may be critical to our technology infrastructure, product offerings and business operations. If any new tariffs, legislation and/or regulations are implemented by the U.S. or other jurisdictions in the future, or if existing trade agreements are renegotiated, such changes could adversely affect our business, financial condition and results of operations. It may also be difficult or costly to comply with such legislation and/or regulations, and would subject us to regulatory investigations, fines, penalties or other actions and reputational harm.

We face risks related to natural disasters, health epidemics and other outbreaks, which could significantly disrupt our operations.

Our business could be materially and adversely affected by natural disasters, such as snowstorms, earthquakes, fires or floods, outbreaks of a widespread health epidemic or pandemic (including, without limitation, the COVID-19 pandemic), or other events such as wars, acts of terrorism, environmental accidents, power outages or communication interruptions. The occurrence of such a disaster or prolonged outbreak of an epidemic or pandemic illness or other adverse public health developments in the PRC or elsewhere could materially disrupt our business and operations. Such events may also significantly affect our industry and may even cause a temporary closure of the facilities we or our business partners use for our operations, which would severely disrupt our operations and have a material adverse effect on our business, financial condition and results of operations. Our operations could be disrupted if any of our employees or employees of our business partners were suspected of having any of the epidemic or pandemic illnesses, since this could require us or them to quarantine some or all of such employees or disinfect the facilities used for our operations. In addition, our revenue and profitability could be materially reduced to the extent that a natural disaster, health epidemic or pandemic or other outbreaks harm the global or PRC economy in general.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY IN THE PRINCIPAL PLACE OF OUR BUSINESS

Changes in Chinese economic, political and social conditions, as well as government policies, laws and regulations, and industry practice guidelines, could have a material and adverse effect on our business, financial condition, results of operations and prospects.

A significant part of our business, assets and operations are located in China. Accordingly, our business, financial condition and results of operations are subject to the economic, political, social and regulatory environment in the PRC. Government engagement, economic development, investment regulation, resource allocation and foreign exchange management of the PRC economy may have an effect on our business.

Our performance has been and will continue to be affected by China's economy, which, in turn, is influenced by the global economy. The uncertainties relating to the global economy as well as the political environment in various regions of the world will continue to impact China's economic growth. We are unable to predict all the risks and uncertainties that we face as a result of current economic, political, social and regulatory developments, and many of these risks are beyond our control. All such factors may materially and adversely affect our business and operations as well as our financial performance.

Changes in currency conversion policies may adversely affect the value of your investment.

We may convert a portion of our revenue into other currencies to meet our foreign currency obligations, such as payments of operating costs and expenses and payments of dividends declared in respect of our H Shares, if any. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency to pay dividends, or otherwise satisfy our foreign currency-denominated obligations. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, approval from or registration with competent government authorities is required where RMB is to be converted into foreign currency and remitted out of the PRC to pay capital expenses, such as the repayment of loans denominated in foreign currencies. According to relevant foreign exchange rules, where any material imbalance in international receipts and payments occurs or may occur, the PRC government may implement necessary safeguards and other measures. We cannot assure you that regulations regarding the remittance of RMB into or out of the PRC will not change in the future.

You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.

We are a company incorporated under the laws of the PRC and substantially all of our business, assets and operations are located in China. In addition, the majority of our Directors, Supervisors and executive officers reside in China, and substantially all of the assets of such Directors, Supervisors and executive officers are located in China. As a result, it may not be possible for you to directly effect service of process within the United States or elsewhere outside China upon us or such Directors, Supervisors or executive officers, including with respect to matters arising under U.S. federal securities laws or applicable state securities laws. China and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned which came into effect on August 1, 2008 and was abolished on January 29, 2024, pursuant to which a party with an enforceable final court judgment rendered by any designated people's court of China or any designated Hong Kong court requiring payment of money in a civil and commercial case according to a written choice of court agreement, may apply for recognition and enforcement of the judgment in the relevant people's court of China or Hong Kong court. China and Hong Kong have concluded the Arrangement on Mutual Recognition and Enforcement of Civil and Commercial Judgments between the Mainland and the Hong Kong Special Administrative Region, which took effect on January 29, 2024. Accordingly, the scope of applicable cases for judicial assistance can be expanded. In principle, judgments made after January 29, 2024 are subject to the provisions of the new "Arrangement". However, for cases where the "written jurisdiction agreement" referred to in the old "Arrangement" was signed before January 29, 2024, the old "Arrangement" still applies regardless of when the judgment is made. Moreover, China has not entered into a treaty for the reciprocal recognition and enforcement of court judgments with the United States, the United Kingdom, Japan and many other countries. In addition, Hong Kong has no arrangement with the United States for reciprocal enforcement of judgments. In accordance with the Civil Procedure Law of the PRC and other applicable laws, regulations, and interpretations, a court judgment obtained in the United States and any of the other jurisdictions mentioned above may be recognized and enforced in China or Hong Kong in consideration of the treaties providing for the reciprocal enforcement of judgments of courts between China and the country where the judgment was made.

Holders of our H Shares may be subject to income tax obligations in China.

Under the current tax laws and regulations in China, non-Chinese resident individuals and non-Chinese resident enterprises are subject to different tax obligations with respect to the dividends paid to them by us and the gains realized upon the sale or other disposition of our H Shares.

Non-Chinese resident individuals are required to pay individual income tax at a rate of 20% under IIT law for the interests, dividends and bonuses they obtain from China. Accordingly, we are required to withhold such tax from dividend payments, unless applicable tax treaties between China and the jurisdiction in which the foreign individual resides reduce or provide an exemption for the relevant tax obligations. Generally, in accordance with the Notice on Matters Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 045 issued by the SAT (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》), domestic non foreign-invested enterprises issuing shares in Hong Kong may, when distributing dividends to overseas resident individuals in the jurisdiction of the tax treaty, withhold individual income tax at the rate of 10%. When a tax rate of 10% is not applicable, the withholding company shall: (a) return the excess tax amount pursuant to due procedures if the applicable tax rate is lower than 10%; (b) withhold such foreign individual income tax at the effective tax rate agreed on if the applicable tax rate is between 10% and 20%; or (c) withhold such foreign individual income tax at a rate of 20% if no taxation treaty is applicable.

For non Chinese-resident enterprises that do not have establishments or premises in China, and for those who have establishments or premises in China but whose income is not related to such establishments or premises under the EIT law, dividends paid by us and gains realized by such foreign enterprises upon the sale or other disposition of Shares are ordinarily subject to China enterprise income tax at a rate of 20%. In accordance with the Circular on Issues Relating to the Withholding of Enterprise Income Tax by Chinese Resident Enterprises on Dividends Paid to Overseas Non-Chinese Resident Enterprise Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業 所得稅有關問題的通知》) issued by the SAT, such tax rate has been reduced to 10%.

If there is any change to applicable tax laws and regulations or in the interpretation or application of such laws and regulations, the value of your investment in our H Shares may be materially affected.

The approval, filing or other requirements of the CSRC or other PRC government authorities may be required under PRC laws, and we cannot predict whether we will be able to complete such procedures.

On July 6, 2021, the General Office of the Communist Party of China Central Committee and the General Office of the State Council jointly promulgated the Opinions on Strictly Cracking Down on Illegal Securities Activities in accordance with the Law (the "**Opinions on Securities Activities**"). The Opinions on Securities Activities emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies, and proposed to take effective measures, such as promoting the construction of relevant regulatory systems, to deal with the risks and incidents faced by China-based overseas-listed companies.

Furthermore, on February 17, 2023, the CSRC released Trial Administrative Measures for Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Overseas Listing Trial Measures**") and five relevant guidelines, which became effective on March 31, 2023. Pursuant to the Overseas Listing Trial Measures, PRC domestic companies which, after the overseas offerings and listings, offers subsequent securities in the same overseas market or conducts offering and listing in other overseas markets (the "**Future Offerings**"), shall complete the filing procedures and report relevant information to the CSRC.

Based on the foregoing, for Future Offerings after the proposed Listing, we are required to comply with the filing procedure of the CSRC. It is uncertain whether we can or how long it will take us to complete filings procedures in connection with Future Offerings. We may be subject to approval, filing or other requirements by other PRC government authorities under PRC laws in the future. Any failure to complete the relevant procedures may have an adverse effect on a Future Offerings.

RISKS RELATING TO THE GLOBAL OFFERING

No public market currently exists for our H Shares, and an active trading market for our H Shares may not develop or be sustained.

Prior to completion of the Global Offering, there has been no public market for our H Shares. We have applied to the Stock Exchange for the listing of, and permission to deal in, our H Shares. However, there can be no assurance that an active trading market for our H Shares will develop or be sustained after completion of the Global Offering. Pursuant to applicable PRC laws, all of the Shares in issue as of the date of this prospectus will be subject to a lock-up period of one year from the Listing Date. If an active public market for our H Shares does not develop following completion of the Global Offering, the market price and liquidity of our H Shares could be materially and adversely affected. The Offer Price is the result of negotiations between our Company, the Sole Sponsor and the Sponsor-Overall Coordinator (for itself and on behalf of the Underwriters), which may differ significantly from the market price at which our H Shares will be traded following completion of the Global Offering. The market price of our H Shares may drop below the Offer Price at any time after completion of the Global Offering.

The market price and trading volume of our H Shares may be volatile, which could result in substantial losses for investors who purchase our H Shares in the Global Offering.

The price and trading volume of our H Shares may be subject to significant volatility in response to various factors beyond our control, including the political uncertainties in Hong Kong and the general market conditions of securities in Hong Kong and elsewhere in the world. In particular, the business and performance of other companies engaging in similar business, and the market price of their shares, may affect the price and trading volume of our H Shares. In addition to market and industry factors, the price and trading volume of our H Shares may be highly volatile for specific business reasons, such as fluctuations in our revenue, earnings, cash flows and investments, changes in our pricing policies and expenditures, regulatory developments, demand for our services, unexpected business interruptions resulting from natural disasters or power outages, our ability to obtain or maintain regulatory approval for our operations, relationships with our suppliers, movements or activities of key personnel, or actions taken by competitors. Moreover, shares of other companies listed on the Hong Kong Stock Exchange with significant operations and assets in China have experienced price volatility and fluctuations in trading volume in the past, and it is possible that our H Shares may be subject to fluctuations in price and volume not directly related to our performance but related to the overall political and economic conditions in Hong Kong, the PRC or elsewhere in the world.

Our Controlling Shareholders have substantial influence over our Group and their interests may not be aligned with the interests of our other Shareholders.

Our Controlling Shareholders have significant influence in determining the outcome of any corporate transaction or other matter submitted to the Shareholders for approval, including, but not limited to mergers, privatizations, consolidations and the sale of all, or substantially all, of our assets, election of directors, and other significant corporate actions. Immediately following the completion of the Global Offering (assuming the Offer Size Adjustment Option is not exercised), the Controlling Shareholder Group will continue to control in aggregate approximately 44.13% of our total share capital. Therefore, they will remain as a group of our Controlling Shareholders. The interests of our Controlling Shareholders might differ from the interests of our other Shareholders. In the event that our Controlling Shareholders cause us to pursue strategic objectives that conflict with the interests of our other Shareholders, our other Shareholders could be disadvantaged and their interests could be damaged. Any conflict of interest between our Controlling Shareholders and our other Shareholders may also materially and adversely affect aspects such as the decision and implementation of our business plans, which may in turn affect our operations and prospects.

We cannot assure you when, whether and in what form or amount we will pay dividends in the future.

Our ability to pay dividends will depend on whether we are able to generate sufficient earnings. Distributions of dividends shall be decided by our Board of Directors at their discretion and will be subject to the approval of the general meeting. A decision to declare or to pay dividends and the amount thereof depend on various factors, including, but not limited to our results of operations, cash flows and financial condition, operating and capital expenditure requirements, distributable profits as determined under PRC GAAP or IFRS (whichever is lower), our Articles of Association and other constitutional documents, the PRC Company Law and any other applicable laws and regulations in China, market conditions, our strategy and projection for our business, contractual restrictions and obligations, taxation, regulatory restrictions and any other factors from time to time deemed by our Board of Directors as relevant to the declaration or suspension of dividends. As a result, there can be no assurance whether, when and in what form we will pay dividends in the future. Subject to any of the above constraints, we may not be able to pay dividends in accordance with our dividend policy.

Purchasers of our H Shares will experience immediate dilution, and a future significant increase or perceived significant increase in the supply of our H Shares in public markets could cause the market price of our H Shares to decrease significantly and/or dilute shareholdings of holders of our H Shares.

The Offer Price of the Offer Shares may be higher than the net tangible book value per Share immediately prior to the Global Offering. As a result, you and other purchasers of the Offer Shares in the Global Offering may experience an immediate dilution to a pro forma net tangible asset value of HK$2.35 per H Share, based on the Offer Price of HK$3.61 per H Share.

Facts, forecasts and statistics in this prospectus may come from various sources and may not be fully reliable.

Some of the facts, forecasts and statistics in this prospectus are derived from various publications of governmental agencies or publicly available sources and obtained during communications with various government agencies or independent third parties that our Directors believe are reliable. However, there can be no guarantee of the quality or reliability of such materials. Our Directors believe that the sources of the information are appropriate and have taken reasonable care in extracting and reproducing such information. They do not believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information from official government sources has not been independently verified by our Group, the Sole Sponsor or any other party involved in the Global Offering and no representation is given as to its accuracy or completeness. Due to the possibly flawed or ineffective sampling or discrepancies between published information and market practices or other reasons, such facts and statistics may be inaccurate or may not be comparable to official statistics. You should not place undue reliance on them. You should consider how much weight or importance such facts or statistics carry and should not place undue reliance on them.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties.

This prospectus contains certain statements and information that are forward-looking and uses forward-looking terminology such as "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," and other similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and, as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

You should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the Global Offering.

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the Global Offering. Prior to the publication of this prospectus, there has been press and media coverage regarding us and the Global Offering. Such press and media coverage may include references to certain information that does not appear in this prospectus, including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for it and you should not rely on such information.

In preparation of the Global Offering, we have sought the following waivers from strict compliance with certain provisions of the Listing Rules.

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, our Company must have sufficient management presence in Hong Kong, which normally means that at least two executive directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Listing Rules further provides that the requirement in Rule 8.12 may be waived by having regard to, among other considerations, the applicant's arrangements for maintaining regular communication with the Stock Exchange.

Given that (i) our core business operations are principally located, managed and conducted in the PRC under the supervision of our executive Director and senior management; and (ii) our executive Director and senior management principally reside in the PRC, our Company considers that it would be more practical for the executive Director and senior management of our Company to remain ordinarily resident in the PRC where our Group has substantial operations. For the above reasons, we do not have, and do not contemplate in the foreseeable future that we will have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

Accordingly, pursuant to Rule 19A.15 of the Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rules 8.12 and 19A.15 of the Listing Rules. We will ensure that there are adequate and efficient arrangements to achieve regular and effective communication between us and the Stock Exchange as well as compliance with the Listing Rules by way of the following arrangements:

(a) we have appointed Mr. Xiao and Mr. ZHENG Longfeng ("**Mr. Zheng**") as the authorized representatives (the "**Authorized Representatives**") for the purpose of Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange and would be readily contactable by phone, facsimile and email to deal promptly with enquiries from the Stock Exchange. The Authorized Representatives possess valid travel documents and are able to renew such travel documents when they expire in order to visit Hong Kong, and accordingly, they will be available to meet with the Stock Exchange to discuss any matters on short notice. We have also appointed Mr. CHUNG Ming Fai, our joint company secretary and who is ordinarily resident in Hong Kong, as an alternate to the Authorized Representatives.

(b) to facilitate communication with the Stock Exchange, we have provided the Authorized Representatives, the alternate authorized representative and the Stock Exchange with the contact details of our Directors (i.e. mobile phone number, office phone number and email address (as applicable)). In the event that any of our Directors expects to travel or otherwise be out of office, he or she will provide the phone number of the place of his/her accommodation to the Authorized Representatives and the alternate authorized representative, so that the Authorized Representatives and the alternate authorized representative would be able to contact all our Directors (including the independent non-executive Directors) promptly at all times if and when the Stock Exchange wishes to contact our Directors. To the best of our knowledge and information, each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period after requested by the Stock Exchange.

(c) we have appointed Maxa Capital Limited as our compliance advisor (the "**Compliance Advisor**") in compliance with Rule 3A.19 of the Listing Rules. The Compliance Advisor will, among other things and in addition to the Authorized Representatives, provide us with professional advice on continuing obligations under the Listing Rules and act as additional channel of communication of our Company with the Stock Exchange during the period from the Listing Date to the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year immediately after the Listing. The Compliance Advisor will be available to answer enquiries from the Stock Exchange and will act as an additional channel of communication with the Stock Exchange when the Authorized Representatives are not available.

WAIVER IN RELATION TO JOINT COMPANY SECRETARIES

Rule 8.17 of the Listing Rules provides that our Company must appoint a company secretary who satisfies the requirements under Rule 3.28 of the Listing Rules. According to Rule 3.28 of the Listing Rules, our Company must appoint an individual, who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary. Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

(a) a member of The Hong Kong Chartered Governance Institute;

(b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong)); and

(c) a certified public accountant (as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong)).

In addition, pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing "relevant experience", the Stock Exchange will consider the individual's:

(a) length of employment with the issuer and other issuers and the roles he played;

(b) familiarity with the Listing Rules and other relevant laws and regulations including the Securities and Futures Ordinance, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

Our Company considers that while it is important for the company secretaries to be familiar with the relevant securities regulation in Hong Kong, they also need to have experience relevant to our Company's operations, nexus to the Board and close working relationship with the management of our Company in order to perform the function of a company secretary and to take necessary actions in the most effective and efficient manner. It is for the benefit of our Company to appoint a person who has been a member of the senior management for a period of time and is familiar with our Company's business and affairs as company secretary.

We have appointed Mr. Zheng as one of the joint company secretaries of our Company. Mr. Zheng currently serves as the board secretary of the Company and has substantial experience in handling corporate, legal and regulatory compliance and administrative matters but personally does not process any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules and may not be able to solely fulfill the requirements of the Listing Rules. Therefore, our Company has appointed Mr. CHUNG Ming Fai ("**Mr. Chung**"), a fellow member of the Hong Kong Institute of Certified Public Accountants, who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules to act as one of our joint company secretaries and to provide assistance to Mr. Zheng for an initial period of three years from the Listing Date to enable Mr. Zheng to acquire the "relevant experience" under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules. See "Directors, Supervisors and Senior Management" in this prospectus for further biographical details of Mr. Zheng and Mr. Chung. The following arrangements have been, or will be, put in place to assist Mr. Zheng in acquiring the qualifications and experience as the company secretary of our Company required under Rule 3.28 of the Listing Rules:

(a) Mr. Zheng will endeavor to attend relevant training courses, including briefings on the latest changes to the relevant applicable Hong Kong laws and regulations and the Listing Rules which will be organized by our Company's Hong Kong legal advisors on an invitation basis and seminars organized by the Stock Exchange for listed issuers from time to time.

(b) Both Mr. Zheng and Mr. Chung have confirmed that each of them will be attending a total of no less than 15 hours of training courses on the Listing Rules, corporate governance, information disclosure, investors relation as well as the functions and duties of the company secretary of a Hong Kong listed issuer during each financial year as required under Rule 3.29 of the Listing Rules.

(c) Mr. Chung will assist Mr. Zheng to enable him to acquire the relevant experience (as required under Rule 3.28 of the Listing Rules) to discharge the duties and responsibilities as the company secretary of our Company.

(d) Mr. Chung will communicate regularly with Mr. Zheng on matters relating to corporate governance, the Listing Rules and any other laws and regulations which are relevant to our Company and its affairs. Mr. Chung will work closely with, and provide assistance to, Mr. Zheng in the discharge of his duties as a company secretary, including organizing our Company's Board meetings and Shareholders' general meetings.

(e) Prior to the expiry of Mr. Zheng's initial term of appointment as the company secretary of our Company, we will evaluate his experience to determine if he has acquired the qualifications required under Rule 3.28 of the Listing Rules, and whether on-going assistance should be arranged so that Mr. Zheng's appointment as the company secretary of our Company continues to satisfy the requirements under Rules 3.28 and 8.17 of the Listing Rules.

(f) The Company has appointed Maxa Capital Limited as its Compliance Advisor pursuant to Rule 3A.19 of the Listing Rules which will act as the additional communication channel with the Stock Exchange (for a period commencing on the Listing Date and ending on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year immediately after the Listing Date, or until the engagement is terminated, whichever is earlier) and provide professional guidance and advice to the Company (including Mr. Zheng) as to the compliance with the Listing Rules and all other applicable laws and regulations.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rules 3.28 and 8.17 of the Listing Rules. Such waiver will be revoked immediately if and when (i) Mr. Zheng ceases to be assisted by a person with qualifications under Rules 3.28 and 8.17 of the Listing Rules, or (ii) if there are material breaches of the Listing Rules by our Company. Before the end of the three-year period, we shall demonstrate to the Stock Exchange's satisfaction and seek its confirmation that Mr. Zheng, having had the benefit of Mr. Chung's assistance during the three-year period, has attained the relevant experience under Note 2 to Rule 3.28 of the Listing Rules and is capable of discharging the functions of company secretary so that a further waiver would not be necessary.

WAIVER IN RELATION TO NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into and are expected to continue with certain transactions after the Listing which will constitute non-exempt continuing connected transactions under Chapter 14A of Listing Rules. We have applied for, and the Hong Kong Stock Exchange has granted us, waivers from strict compliance with (i) the announcement requirement under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in the section headed "Connected Transactions — Non-Exempt Continuing Connected Transaction (Subject to Reporting, Annual Review and Announcement Requirements)"; and (ii) the announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transaction as disclosed in "Connected Transactions — Non-exempt Continuing Connected Transaction (Subject to Reporting, Annual Review, Announcement, Circular and Independent Shareholders' Approval Requirements)."

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to us. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make this prospectus or any statement in this prospectus misleading.

CSRC FILING REQUIREMENT

The CSRC issued notice of filing on June 1, 2024 for the Global Offering and for the submission of the application to list our H Shares on the Hong Kong Stock Exchange. In granting its notice of filing, the CSRC accepts no responsibility for our financial soundness, nor for the accuracy of any of the statements made or opinions expressed in this prospectus.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus contains the terms and conditions of the Hong Kong Public Offering. The Global Offering comprises the Hong Kong Public Offering of initially 3,360,000 H Shares and the International Offering of initially 30,240,000 H Shares (subject, in each case, to the Offer Size Adjustment Option and reallocation on the basis described in the section headed "Structure of the Global Offering" in this prospectus).

The listing of the Offer Shares on the Hong Kong Stock Exchange is sponsored by the Sole Sponsor. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is managed by the Sole Overall Coordinator and is underwritten by the International Underwriters. The International Underwriting Agreement is expected to be entered into on or about November 6, 2024. Further details about the Underwriters and the underwriting arrangements are contained in the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF SHARES

No action has been taken to permit a Hong Kong Public Offering of the Offer Shares or the general distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to confirm, or be deemed by his acquisition of Hong Kong Offer Shares to confirm, that he is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus. In particular, the Offer Shares have not been offered or sold, and will not be offered or sold, directly or indirectly, in the PRC.

The Offer Shares are offered for subscription solely on the basis of the information contained and representations made in this prospectus, and on the terms and subject to the conditions set out herein and therein. No person is authorized in connection with the Global Offering to give any information, or to make any representation not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorized by the Company, the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, any of their respective directors, officers, employees, agents, affiliates or advisors or any other persons or parties involved in the Global Offering. For further details of the structure of the Global Offering, including its conditions, and the procedures for applying for Hong Kong Offer Shares, see the sections headed "Structure of the Global Offering", "How to Apply for Hong Kong Offer Shares" in this prospectus.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee for the granting of listing of, and permission to deal in, (i) our H Shares to be issued pursuant to the Global Offering, and (ii) the H Shares to be converted from our existing Domestic Unlisted Shares. Dealings in the H Shares on the Hong Kong Stock Exchange are expected to commence on Friday, November 8, 2024. No part of our H Shares is listed on or dealt in on any other stock exchange, and no such listing or permission to list is being or proposed to be sought in the near future.

The H Shares will be traded in board lot of 1,000 H Shares. The stock code of the H Shares is 2551.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotments made in respect of any applications will be invalid if the listing of, and permission to deal in, the Offer Shares on the Hong Kong Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to the Company by the Hong Kong Stock Exchange.

COMPLIANCE WITH LISTING RULES

We will comply with applicable laws and regulations in Hong Kong (including the Listing Rules) and any other undertakings which have been given in favor of the Hong Kong Stock Exchange from time to time. If the Listing Committee finds that there has been a breach by us of the Listing Rules or such other undertakings which may have been given by us in favor of the Hong Kong Stock Exchange from time to time, the Listing Committee may instigate cancellation or disciplinary proceedings in accordance with the Listing Rules.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed the H Share Registrar, and the H Share Registrar has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holders unless the holder delivers a signed form to the H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

(i) agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law, and our Articles of Association;

(ii) agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we, acting for ourselves and for each of our Directors, Supervisors, managers and officers agree with each Shareholder, to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award, which shall be final and conclusive;

(iii) agrees with us and each of our Shareholders that our H Shares are freely transferable by the holders of our H Shares; and

(iv) authorizes us to enter into a contract on his or her behalf with each of our Directors, Supervisors, managers and officers whereby such Directors, Supervisors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association. Persons applying for or purchasing H Shares under the Global Offering are deemed, by their making of an application or purchase, to have represented that they are not associates of any of our Directors or existing Shareholder or a nominee of any of the foregoing.

H SHARE REGISTER AND STAMP DUTY

All H Shares issued pursuant to applications made in the Hong Kong Public Offering and the International Offering will be registered on the Company's H Share register of members to be maintained by our H Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong. We will maintain the Company's principal register of members at our current registered office in the PRC.

Dealings in our H Shares registered in the H Share register of members of the Company in Hong Kong will be subject to Hong Kong stamp duty. For further details, please seek professional tax advice.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, our H Shares on the Hong Kong Stock Exchange and our compliance with the stock admission requirements of HKSCC, our H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our H Shares on the Hong Kong Stock Exchange or any other date as HKSCC chooses. Settlement of any transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisors for details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made for our H Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of and dealing in our H Shares or exercising rights attached to them. None of the Company, the Underwriters, the Sole Sponsor, the Sole Overall Coordinator, the Joint Global

Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, any of their respective directors, supervisors, officers, employees, agents or advisors or any other persons involved in the Global Offering accepts responsibility for any tax effects or liabilities of holders of Shares resulting from the subscription, purchase, holding or disposal of, or dealing in, our H Shares.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for the Hong Kong Offer Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus and on the relevant Applications Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.

LANGUAGE

The English names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations and the like are translations of their Chinese names and are included herein for identification purposes only. If there is any inconsistency, the Chinese name prevails.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments, or have been rounded to one decimal place. Any discrepancies in any tables or charts between the total shown and the sums of the amounts listed are due to rounding.

CURRENCY TRANSLATIONS

Unless otherwise specified, this prospectus contains certain translations for the convenience purpose at the following rates:

US$1.00: HK$7.7695
US$1.00: RMB7.0982
HK$1.00: RMB0.9136

None should be regarded as and be interpreted as an amount in one currency that can be on the relevant dates or any other dates actually converted into that in another currency at the rates above or cannot be converted at all.

Further information on exchange rates is set forth in "Appendix III — Taxation and Foreign Exchange" in this prospectus.

For further information on our Directors and Supervisors, see "Directors, Supervisors and Senior Management" in this prospectus.

DIRECTORS

Name	Address	Nationality
Executive Director		
Mr. XIAO Guowei David	15 Hainingsan Street Huanshi Road West Nansha District, Guangzhou Guangdong Province, PRC	Chinese (Hong Kong)
Non-executive Directors		
Mr. CHAN Philip Ching Ho	Flat 2A, Tower 10, Mayfair By The Sea II 21 Fo Chun Road Tai Po, New Territories Hong Kong	Chinese (Hong Kong)
Mr. YUAN Lie Ming Peter	House 12A, Headland Road Repulse Bay Hong Kong	Chinese (Hong Kong)
Mr. WU Nan-Yang	5/F, No. 8, Lane 215, Section 2 Jinshan S Road Da'an District Taipei Taiwan	Chinese (Taiwan)
Mr. ZHENG Xin	919 Cuibai Road Pudong New District Shanghai, PRC	Chinese

Name	Address	Nationality
Independent non-executive Directors		
Ms. ZHANG He (former name: ZHANG Xiaomiao)	Room 601, Unit 1, Building 7, Section 3 33 Chang'an Middle Road Yanta District, Xi'an Shaanxi Province, PRC	Chinese
Ms. LIN Nan	No. 3, 355 Jipu Road Yangpu District Shanghai, PRC	Chinese
Ms. DING Hui	9-10702, Wutong Xishe Jiaotong University Innovation Harbor Chang'an District, Xi'an Shaanxi Province, PRC	Chinese
Mr. CHAN Chi Kong	Flat A, 29/F, Block 2 The Waterfront 1 Austin Road West Kowloon Hong Kong	Chinese (Hong Kong)

SUPERVISORS

Name	Address	Nationality
Mr. LI Wenhong	Room 1807, Building 13 A6, Chanba Bandao 1228 Chanba Avenue Chanba Ecological Area, Xi'an Shaanxi Province PRC	Chinese
Ms. LUO Xiaoyun	Room 903 175 Middle Jiangnan Avenue Haizhu District, Guangzhou Guangdong Province, PRC	Chinese

Name	Address	Nationality
Mr. OU Weineng	Room 303, Building 2, Lingcheng Tower 1 Huancheng East Road, Dagang Town Nansha District, Guangzhou Guangdong Province, PRC	Chinese

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	**CITIC Securities (Hong Kong) Limited** 18/F, One Pacific Place 88 Queensway Hong Kong
Sponsor-Overall Coordinator, Sole Overall Coordinator	**CLSA Limited** 18/F, One Pacific Place 88 Queensway Hong Kong
Joint Global Coordinators	**CLSA Limited** 18/F, One Pacific Place 88 Queensway Hong Kong
	GF Securities (Hong Kong) Brokerage Limited 27/F, GF Tower 81 Lockhart Road Wan Chai Hong Kong
	Sinolink Securities (Hong Kong) Company Limited Unit 3501–08, 35/F, Cosco Tower 183 Queen's Road Central Sheung Wan Hong Kong
Joint Bookrunners	**CLSA Limited** 18/F, One Pacific Place 88 Queensway Hong Kong

GF Securities (Hong Kong) Brokerage Limited
27/F, GF Tower
81 Lockhart Road
Wan Chai
Hong Kong

Sinolink Securities (Hong Kong) Company Limited
Unit 3501–08, 35/F, Cosco Tower
183 Queen's Road Central
Sheung Wan
Hong Kong

BOCI Asia Limited
26/F Bank of China Tower
1 Garden Road
Central
Hong Kong

ABCI Capital Limited
11/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

ICBC International Securities Limited
37/F ICBC Tower
3 Garden Road
Hong Kong

China Galaxy International Securities (Hong Kong) Co., Limited
20/F Wing On Centre
111 Connaught Road Central
Hong Kong

China Sunrise Securities (International) Limited
Unit 4502, 45/F The Center
99 Queen's Road Central
Central
Hong Kong

Futu Securities International (Hong Kong) Limited
34/F, United Centre
No. 95 Queensway
Admiralty
Hong Kong

Patrons Securities Limited
Unit 3214, 32/F., Cosco Tower
183 Queen's Road Central
Sheung Wan
Hong Kong

Tiger Brokers (HK) Global Limited
1/F, 308 Central Des Voeux
308 Des Voeux Road Central
Hong Kong

Joint Lead Managers

CLSA Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

GF Securities (Hong Kong) Brokerage Limited
27/F, GF Tower
81 Lockhart Road
Wan Chai
Hong Kong

Sinolink Securities (Hong Kong) Company Limited
Unit 3501–08, 35/F, Cosco Tower
183 Queen's Road Central
Sheung Wan
Hong Kong

BOCI Asia Limited
26/F Bank of China Tower
1 Garden Road
Central
Hong Kong

ABCI Securities Company Limited
10/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

ICBC International Securities Limited
37/F ICBC Tower
3 Garden Road
Hong Kong

China Galaxy International Securities (Hong Kong) Co., Limited
20/F Wing On Centre
111 Connaught Road Central
Hong Kong

China Sunrise Securities (International) Limited
Unit 4502, 45/F The Center
99 Queen's Road Central
Central
Hong Kong

Futu Securities International (Hong Kong) Limited
34/F, United Centre
No. 95 Queensway
Admiralty
Hong Kong

Patrons Securities Limited
Unit 3214, 32/F., Cosco Tower
183 Queen's Road Central
Sheung Wan
Hong Kong

Tiger Brokers (HK) Global Limited
1/F, 308 Central Des Voeux
308 Des Voeux Road Central
Hong Kong

Capital Market Intermediaries	**CLSA Limited** 18/F, One Pacific Place 88 Queensway Hong Kong
	GF Securities (Hong Kong) Brokerage Limited 27/F, GF Tower 81 Lockhart Road Wan Chai Hong Kong
	Sinolink Securities (Hong Kong) Company Limited Unit 3501–08, 35/F, Cosco Tower 183 Queen's Road Central Sheung Wan Hong Kong
	BOCI Asia Limited 26/F Bank of China Tower 1 Garden Road Central Hong Kong
	ABCI Capital Limited 11/F, Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong
	ABCI Securities Company Limited 10/F, Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong
	ICBC International Securities Limited 37/F ICBC Tower 3 Garden Road Hong Kong

China Galaxy International Securities (Hong Kong) Co., Limited
20/F Wing On Centre
111 Connaught Road Central
Hong Kong

China Sunrise Securities (International) Limited
Unit 4502, 45/F The Center
99 Queen's Road Central
Central
Hong Kong

Futu Securities International (Hong Kong) Limited
34/F, United Centre
No. 95 Queensway
Admiralty
Hong Kong

Patrons Securities Limited
Unit 3214, 32/F., Cosco Tower
183 Queen's Road Central
Sheung Wan
Hong Kong

Tiger Brokers (HK) Global Limited
1/F, 308 Central Des Voeux
308 Des Voeux Road Central
Hong Kong

Auditor and Reporting Accountant

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road, Quarry Bay
Hong Kong

Legal Advisors to the Company	*As to Hong Kong and United States laws:* **Clifford Chance** 27/F, Jardine House One Connaught Place Central Hong Kong *As to PRC law:* **AllBright Law Offices** 9, 11/F–12/F, Shanghai Tower No. 501 Yincheng Middle Road Pudong New Area Shanghai, PRC
Legal Advisors to the Sole Sponsor and the Underwriters	*As to Hong Kong and United States laws:* **Sidley Austin** 39/F, Two International Finance Centre 8 Finance Street Central Hong Kong *As to PRC law:* **Haiwen & Partners** 20/F, Fortune Financial Center 5 Dong San Huan Central Road Chaoyang District Beijing, PRC
Industry Consultant	**China Insights Industry Consultancy Limited** 10F, Block B, Jing'an International Center 88 Puji Road, Jing'an District Shanghai, PRC
Receiving Bank	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong

Registered Office	No. 33, Huanshi Road South Nansha District, Guangzhou Guangdong Province, PRC
Headquarters and Principal Place of Business in the PRC	No. 33, Huanshi Road South Nansha District, Guangzhou Guangdong Province, PRC
Principal Place of Business in Hong Kong	Unit 322, 3/F 19W, Science Park West Avenue Hong Kong Science Park Pak Shek Kok New Territories Hong Kong
Company's Website	**www.apt-hk.com** *(The information contained in this website does not form part of this prospectus)*
Joint Company Secretaries	Mr. ZHENG Longfeng No. 33, Huanshi Road South Nansha District, Guangzhou Guangdong Province, PRC Mr. CHUNG Ming Fai, *FCPA, CPA (Aust.)* 40/F Dah Sing Financial Centre 248 Queen's Road East Wanchai Hong Kong
Authorized Representatives	Mr. XIAO Guowei David 15 Hainingsan Street Huanshi Road West Nansha District, Guangzhou Guangdong Province, PRC Mr. ZHENG Longfeng No. 33, Huanshi Road South Nansha District, Guangzhou Guangdong Province, PRC

Alternate to the Authorized Representatives	Mr. CHUNG Ming Fai 40/F Dah Sing Financial Centre 248 Queen's Road East Wanchai Hong Kong
Strategy Committee	Mr. XIAO Guowei David *(Chairperson)* Mr. CHAN Philip Ching Ho Mr. YUAN Lie Ming Peter Mr. WU Nan-Yang Ms. LIN Nan
Audit Committee	Ms. ZHANG He *(Chairperson)* Ms. LIN Nan Mr. CHAN Chi Kong
Remuneration and Appraisal Committee	Ms. LIN Nan *(Chairperson)* Mr. XIAO Guowei David Ms. DING Hui
Nomination Committee	Ms. DING Hui *(Chairperson)* Mr. XIAO Guowei David Ms. ZHANG He
Compliance Advisor	**Maxa Capital Limited** Unit 2602, 26/F, Golden Centre 188 Des Voeux Road Sheung Wan Hong Kong
H Share Registrar	**Computershare Hong Kong Investor Services Limited** Shops 1712–1716 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

Principal Banks	**Bank of China Nansha Jinzhou Branch** First Floor, 93 Jinling North Road Nansha District, Guangzhou Guangdong Province, PRC
	China Merchants Bank Nansha Branch F/5, Nanshacheng 8 Jingang Avenue Nansha District, Guangzhou Guangdong Province, PRC
	Bank of Communications Ninghai Branch Building 2, Financial Center 1 Xuemian Road Ninghai County, Ningbo Zhejiang Province, PRC

Certain information and statistics presented in this section and elsewhere in this document were derived from official government publications and other publicly available sources as well as from the CIC Report, a market research report prepared by CIC, an independent market research and consulting company that was commissioned by us. We believe that the sources of the information in this section and elsewhere in this document are appropriate sources for such information and reasonable care has been taken in extracting and reproducing such information. The information from official government sources has not been independently verified by us or the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters or any of our or their respective directors, officers, or representatives, and no representation is given as to its accuracy.

SOURCES OF INFORMATION

We commissioned CIC, an independent market research and consulting company founded in Hong Kong and engaging in the provision of professional consulting services across multiple industries, to conduct an analysis of and report on the LED intelligent vision market in China. The CIC Report was prepared by CIC independent of our influence. The fee paid for the preparation of the CIC Report was RMB580,000, which we believe reflects the market rate for such reports.

The information and data collected by CIC have been analyzed, assessed and validated using CIC's in-house analysis models and techniques. Primary research was conducted via interviews with key industry experts and leading industry participants. Secondary research involved analyzing market data obtained from several publicly available data sources. The methodology used by CIC is based on analyzing information gathered from multiple levels and ensures that this information is cross-referenced for reliability and accuracy.

The market projections in the CIC Report are based on the following key assumptions: (i) the overall social, economic and political environment in China is expected to remain stable during the forecast period; (ii) the economic and industry development in China is likely to maintain a steady growth trajectory during the forecast period, accompanied by continuing urbanization; (iii) related key industry drivers are likely to propel continued growth in China's LED intelligent vision industry throughout the forecast period; and (iv) there will be no extreme force majeure event or unforeseen industry regulation that may significantly or fundamentally affect the relevant market and industry.

Our Directors confirm that after taking reasonable enquiries, there had been no material adverse change in the market information since the date of the CIC Report which may qualify, contradict or have an impact on the information set out in this section. Except as otherwise mentioned, all data and forecasts contained in this section are extracted from the CIC Report.

ANALYSIS OF CHINA'S LED INTELLIGENT VISION MARKET

Definition and Categorization of the LED Intelligent Vision Market

LED intelligent vision employs LED technology to achieve intelligent lighting and display functions. "Intelligence" refers to the ability to acquire, analyze and understand information, and to use knowledge to solve complex problems, adapt to environmental changes and make effective decisions. It encompasses wide range of cognitive functions including learning, comprehension and reasoning. Based on its applications, it can be categorized into three types, including intelligent automotive vision, high-end lighting and advanced display.

- Intelligent automotive vision refers to automotive lighting systems for vehicles, encompassing interior lights and exterior lights. These include intelligent automotive lamps, automotive-grade LED devices and modules. In the scenario of intelligent automotive vision, "intelligence" refers to the automotive lamps' ability to achieve automated and adaptive lighting functions through the integration of advanced sensors, control algorithms and electronic technology. This enhances road safety and driving experience and features energy-saving and personalized settings, reflecting the high-tech nature of automotive vision.

- High-end lighting mainly comprises high-end indoor and outdoor lighting, horticultural lighting, and UV or IR special lighting, etc. High-end lighting encompasses a variety of applications, including outdoor lighting, horticultural lighting, commercial lighting, health lighting, intelligent lighting, and non-visible light applications. It excludes white LED used for general lighting with power less than 1W, color rendering index less than 90, L_{70} lifetime of at least 30,000 hours and luminous efficacy no greater than 180 lm/W. Outdoor lighting typically features power greater than or equal to 2W and an L_{70} lifetime of at least 70,000 hours. Horticultural lighting commonly has power greater than or equal to 2W, a Q_{70} lifetime of at least 100,000 hours, a photoelectric conversion efficiency of at least 80%, and includes a variety of colors such as deep red, far-red, blue and white. Commercial lighting generally has power greater than or equal to 2W and a color rendering index greater than 90.

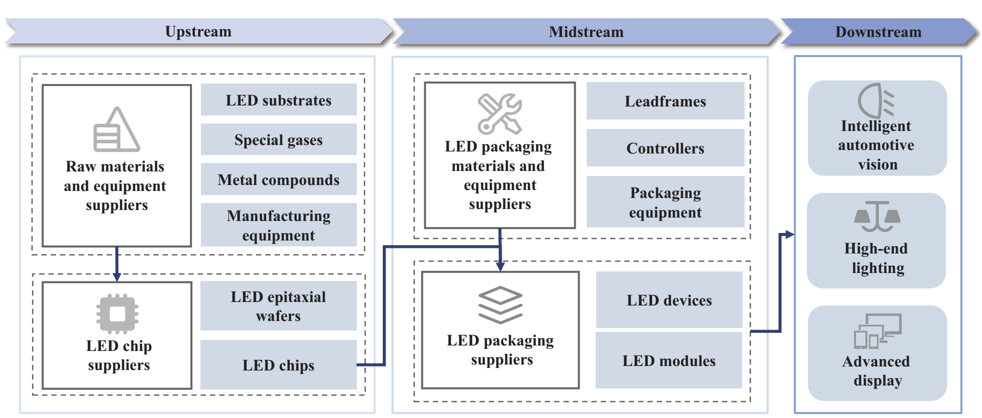
- Advanced display refers to the application of LED technology, either as backlights or as direct view LED displays, to produce visual displays. Backlight displays are mainly used in liquid crystal display televisions (LCD TVs), personal computers (PCs), smartphones and other devices, while direct view LED display screens are mainly applied in outdoor advertising, stage display, etc.

With the advancement of LED technologies and the widespread application of LED products, the industry has witnessed a shift towards "LED+" technologies. According to the Guangdong Illuminating Engineering Society, "LED+" technologies have become the industry norm, widely adopted by the industry and extensively cited by organizations and entities. "LED+" technologies refers to the integration of LED technologies with integrated circuits, electronic control, software, sensors, optics and other related components. LED technologies combined with sensors allow LED products to incorporate a range of sensor types, including light sensors, temperature sensors and motion sensors. This enables LED lighting to automatically adapt their brightness and turn on or off in response to changes in ambient light, fluctuations in temperature, or human activity. In addition, the integration of LED technologies with electronic control can realize sophisticated lighting scene control, dimming adjustment and color tuning, as well as energy-saving strategies. "LED+" technologies are environmentally friendly, more energy-efficient and constantly undergo rapid advancements.

The "+" represents additional value and functionality that goes beyond traditional LED lighting. It signifies the incorporation of innovative technology and intelligent design to provide more efficient, energy-saving, intelligent and interconnected lighting solutions on the basis of LED lighting. The concept of "Internet+" also applies the "+" concept, representing a new form of economy relying on internet information technology to integrate the internet with traditional industries in order to optimize production, promote economic transformation and upgrading and reconstruct business models.

Value Chain of the LED Intelligent Vision Market

The value chain of the LED intelligent vision can be categorized into three parts: (i) the upstream that includes LED chips and other raw materials; (ii) the midstream that consists of LED devices and modules; and (iii) the downstream that encompasses various application scenarios mainly including intelligent automotive vision, high-end lighting and advanced display. The following chart illustrates the value chain of the LED intelligent vision market:



Source: CIC

Market Size of Global and China's LED Intelligent Vision Industry

As LED intelligent vision offers higher energy efficiency and longer life span, LED products have effectively replaced traditional lighting and display products. With the rise of consumer initiatives that focused on energy-saving and environmental protection, coupled with the implementation of supportive policies and regulations, LED intelligent vision has become an emerging industry worldwide in terms of strategic importance. According to CIC, the market size of the global LED intelligent vision industry, in terms of revenue, reached USD192.0 billion in 2023 and is forecast to grow at a CAGR of 8.4% to reach USD287.2 billion by 2028.

China has the world's largest LED intelligent vision industry, accounting for 34.2% of the global market in terms of revenue in 2023. Driven by increasing consumer demand and supportive national policies, the revenue of China's LED intelligent vision market grew from RMB339.3 billion in 2019 to RMB440.2 billion in 2023, at a CAGR of 6.7%, and is expected to reach RMB679.2 billion in 2028, at a CAGR of 9.1% from 2023 to 2028.

ANALYSIS OF CHINA'S INTELLIGENT AUTOMOTIVE VISION MARKET

Overview of intelligent automotive vision market

Intelligent automotive vision is one of the key application scenarios of LED intelligent vision, and LED has emerged as the mainstream technology in the intelligent automotive vision industry. In the intelligent automotive vision sector in China, the penetration rate of LED has exceeded 90%. This is attributable to its higher light intensity, longer life span, lower energy consumption and higher color gamut, compared with traditional halogen and xenon lamps.

With the development of electric vehicles (EVs) and intelligent vehicles, intelligent automotive lamps have transitioned from being mere functional products to intelligent systems. Based on their placement within a vehicle, intelligent automotive lamps can be categorized into exterior lights and interior lights. Exterior lights can be further categorized into headlamps, rear lamps and other lamps. As headlamps play a vital role in vehicle safety, driving experience and intelligent connectivity, they command the highest price among intelligent automotive lamps. Based on the level of intelligence and the amount of pixels, LED headlamps can be categorized into three categories: ordinary LED headlamps, ADB headlamps and high-pixel LED headlamps.

- *Ordinary LED headlamps*: they mainly control the light beam through voltage or current;

- *ADB headlamps*: they adopt a cutting-edge headlamp technology that combines machine vision, precise sensing, arrayed light sources and other advanced features, with the process perceiving signals of road traffic information through sensors, and then utilizing built-in algorithms to process the data. Hence, ADB headlamps can achieve segmented brightness control and double-digit pixel level, and are expected to become the mainstream in the automotive headlamp market;

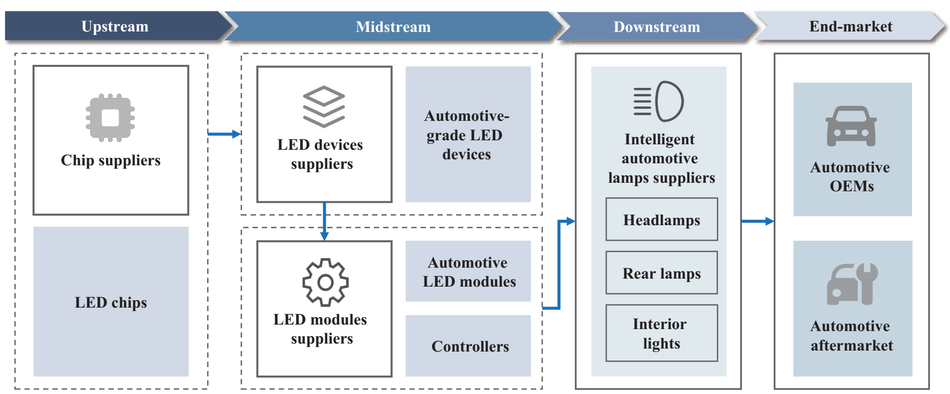
- *High-pixel headlamps*: they contain over 10,000 pixels and can incorporate innovative technology, such as DLP technology or Micro LED technology that can project navigation, interactive and other information onto the road, for improving lighting performance.

Rear lamps are also evolving with intelligent features, including automatic adjustment of brightness, color, flashing frequency, etc., based on driving situations, and interaction with surrounding vehicles or pedestrians by displaying symbols and texts. In addition, the rear lamps have been upgraded from separated-type rear lamps to continuous rear lamps on structural design, which can realize more functions in diverse scenarios to ensure driving safety and to show unique characteristics.

Interior lights include ambient lights and are vital components of smart cockpit lighting systems. These can create a more pleasant and comfortable driving environment by automatically adjusting the light beam and offer a voice control system to align with drivers' preferences.

Value Chain of the Intelligent Automotive Vision Market in China

The value chain of the intelligent automotive vision market in China can be categorized into four parts: (i) the upstream that includes LED chips; (ii) the midstream that consists of automotive-grade LED devices and modules; (iii) the downstream that manufactures intelligent automotive lamps; and (iv) the end-market automotive OEMs and aftermarket. As intelligent automotive lamps are crucial in ensuring driving safety, automotive OEMs set a series of stringent assessment and audit procedures when selecting suppliers, leading to a long product entry cycle and significant entry barriers. Moreover, only few companies possess vertical integration capabilities that spans from LED chips, to automotive-grade LED devices and modules, and then to the design, development, manufacturing, and application of intelligent automotive lamps. Companies with such vertical integration capabilities are better positioned to meet the increasing demand for intelligent automotive vision, thereby holding a significant competitive edge in the market. The following chart illustrates the value chain of the intelligent automotive vision market:



Source: *CIC*

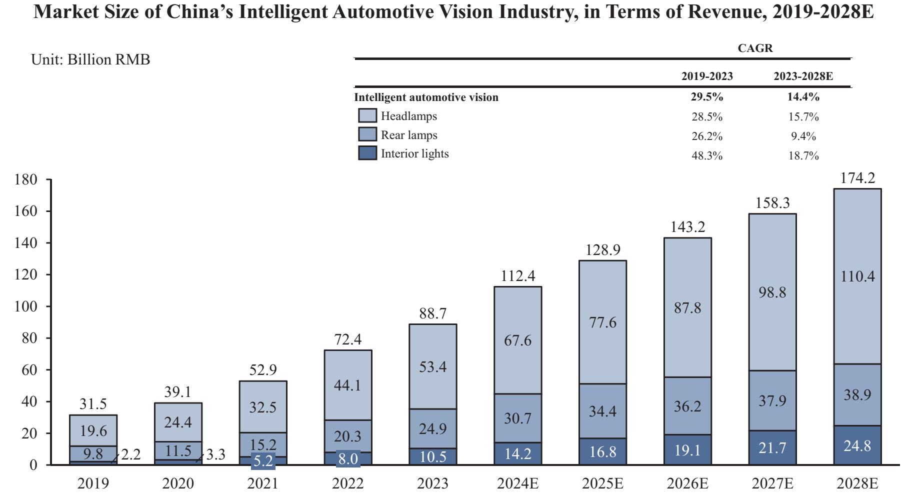
Automotive-grade LED devices and modules are integral to intelligent automotive lamps, representing 10.8% and 40.6%, respectively, of the market size of China's intelligent automotive vision industry in terms of revenue in 2023. As LED lighting technology has become prevalent in the intelligent automotive vision sector, the application of automotive-grade LED devices significantly increased. The market size of the automotive-grade LED devices in China, in terms of revenue, reached RMB9.6 billion in 2023. The continual expansion of the intelligent automotive vision market presents a significant growth potential for automotive-grade LED devices. The market size of automotive-grade LED devices in China in terms of revenue is projected to achieve RMB19.3 billion by 2028, with a CAGR of 15.0% from 2023 to 2028.

The proportion of automotive-grade LED devices in China produced by domestic enterprises is still relatively low. Continuous investment and innovation in LED packaging technology, along with continual production process optimization, highly supportive regulatory policies and effective collaboration throughout the value chain of the intelligent automotive vision industry, are bolstering the competitiveness of domestic enterprises in the global market. Domestic manufacturers are expected to secure a more substantial market share in the automotive-grade LED device sector in China.

Market Size of China's Intelligent Automotive Vision Industry

China, being the world's largest passenger vehicle market and the leading manufacturer of EVs, has also become the largest intelligent automotive vision market globally. At present, LED is the mainstream technology of automotive lighting systems because of its superiority in terms of energy efficiency, longevity, flexibility, as well as high brightness and visibility. According to CIC, the penetration rate of LED in China's automotive lamps sector experienced a significant increase, rising from 67.3% in 2019 to 93.0% in 2023. This rapid growth marks a significant development in China's intelligent automotive vision industry. The market size of China's intelligent automotive vision industry in terms of revenue was RMB88.7 billion in 2023, and the value of intelligent automotive vision system per vehicle in China amounted to approximately RMB3,600. Factors such as the rising adoption of intelligent automotive vision, advancements in light source technology and lamp designs, along with growing consumer demand for customized functions, are expected to drive the value of intelligent automotive vision system per vehicle in China to over RMB4,700 by 2028. This surge is projected to further stimulate the revenue growth of China's intelligent automotive vision market, which is expected to reach RMB174.2 billion by 2028 with a CAGR of 14.4% from 2023 to 2028. Among the several product categories of the intelligent automotive vision market, headlamps take up the largest market portion in China in terms of revenue, accounting for 60.1% of the total market size in 2023. Meanwhile, rear lamps and interior lights each accounted for 28.0% and 11.8% of the market in terms of revenue in 2023. The following chart sets forth the market size of China's intelligent automotive vision industry, in terms of revenue:

Market Size of China's Intelligent Automotive Vision Industry, in Terms of Revenue, 2019-2028E



Notes:

1 The market size here focuses on the analysis of automotive lighting systems equipped with LED technology.

2 The market size here refers to the total revenue from the intelligent automotive vision products manufactured in China.

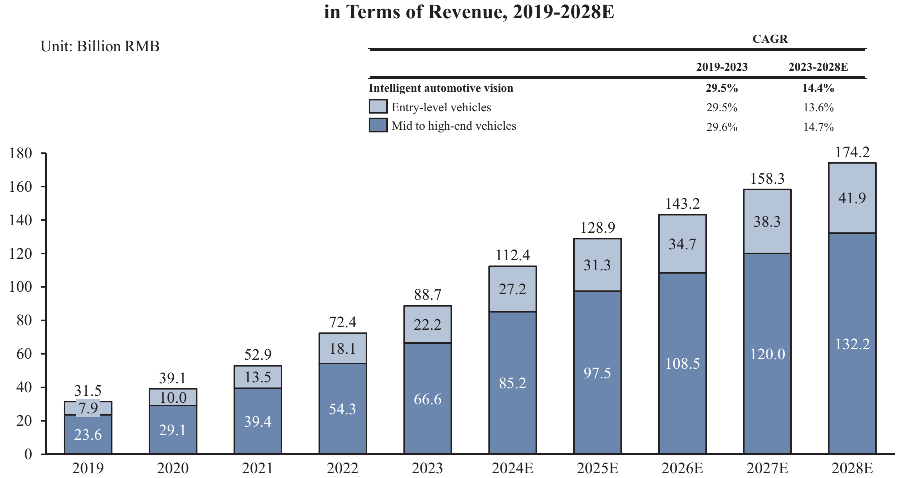
Source: CPCA, CIC

The growing adoption of intelligent automotive lamps will lead to a higher valuation of the automotive lighting systems per vehicle. With the increase of the penetration rate of LED in the automotive lamps sector in China, the value of the automotive lighting systems per vehicle in China is projected to grow from RMB3,184.8 in 2023 to RMB4,679.4 in 2028.

Meanwhile, in the foreseeable future, with the advances of automotive intelligence and the integration of software and hardware, the integration of external sensors and lighting systems will be a potential development trend in the intelligent vehicles industry. This integration aims to enhance vehicle safety and augment the practicality and reliability of autonomous driving technologies. Integrated lighting systems can enhance sensor performance by adjusting brightness or direction, for instance, improving the image quality of visual sensors such as cameras, radars and LiDAR during adverse weather conditions or nighttime driving. However, the realization of this integration still depends on further technological advancements, such as development of sensor fusion technology.

The intelligent automotive vision market is showing a trend toward high-end products. As consumers increasingly seek quality and intelligent features in their vehicles, mid- to high-end vehicles[1] become predominantly equipped with relatively advanced automotive lighting systems. Therefore, the market share of intelligent automotive vision equipped on mid- to high-end vehicles in the intelligent automotive vision market in China gradually increased. According to CIC, the market size of China's intelligent automotive vision equipped on mid- to high-end vehicles reached RMB66.6 billion in 2023, accounting for 75.0% of the entire intelligent automotive vision market in China. With the ongoing growth of the high-end vehicle sector, the market size of China's intelligent automotive vision equipped on mid- to high-end vehicles, in terms of revenue, is expected to reach RMB132.2 billion by 2028, accounting for 75.9% of the entire intelligent automotive vision market, with a CAGR of 14.7% from 2023 to 2028. The chart below sets forth the market size of China's intelligent automotive vision industry, by price range of vehicle, in terms of revenue:

Market Size of China's Intelligent Automotive Vision Industry, by Price Range of Vehicle, in Terms of Revenue, 2019-2028E



Notes:

1 Mid- to high-end vehicles refer to vehicles with an average MSRP higher than RMB150,000.

2 The market size here refers to the total revenue from the intelligent automotive vision products manufactured in China.

Source: CPCA, CIC

Market Drivers and Future Trends of the Intelligent Automotive Vision Market in China

- **Rapid development of China's passenger vehicle market:** according to CIC, China has the world's largest passenger vehicle market, and the sales volume of passenger vehicles (including EVs and ICEs) in China reached 26.4 million in 2023, accounting for 34.9% of the global market, and the sales volume is expected to reach 30.0 million in 2028 at a CAGR of 2.5% from 2023 to 2028. The sales volume of EVs and ICEs in China reached 8.9 million and 16.6 million, respectively in 2023, and is expected to reach 22.8 million and 6.0 million, respectively in 2028. This vast market size lays a solid foundation for the expansion of the intelligent automotive vision market. Furthermore, China's passenger vehicle market is characterized by trends towards electrification, intelligence and connectivity. In particular, EVs have higher requirements for the intelligence and connectivity of lighting systems, which has facilitated the upgrading and replacement of automotive lighting systems. Despite the increase in U.S. tariffs on Chinese EVs and the provisional countervailing duties pre-disclosed by the European Commission on imports of BEVs, the total volume of EVs exported from China to overseas market is expected to increase from 0.6 million in 2023 to 4.5 million in 2028, representing a CAGR of 48.9% during the period. The sales volume of Chinese EVs exported to the Europe market is expected to increase from 0.4 million in 2023 to 1.8 million in 2028, while its share in the total export volume to overseas market will decrease from 62.3% to 41.0%. The sales volume of Chinese EVs exported to the U.S. market is expected to increase from 48.5 thousand in 2023 to 176.4 thousand in 2028, while its share in the total export volume to overseas market will decrease from 7.9% to 3.9%. The significant growth of EVs in China has propelled the intelligent advancement and development of intelligent automotive vision. Regarding the effect of EVs on the Company's performance, the fluctuation in the demand for and price of EVs would not have a significant impact on the Company's operational and financial performance. The Company has already established a broad customer base, covering various vehicle manufacturers and catering to all types of vehicles, including EVs and ICEs. By addressing the needs of all types of vehicles, the Company demonstrates its versatility and adaptability. With a solid position in the market, the Company has been able to adapt to the evolving landscape of the automotive industry. Therefore, while future price trends of EVs may influence the overall industry to some extent, they are not critical factors for the Company's operational and financial performance.

- **Continual upgrades of lighting technology, intelligent configurations and structural design:** all vehicles are progressing towards intelligence, leading to a rise in the penetration rate of intelligent automotive lamps. In response to the growing demand for intelligent features in vehicles, OEMs are increasingly seeking intelligence features for vehicles. As a result, OEMs are recognizing the need to integrate advanced technological capabilities into automotive intelligent lamps to align with the broader trend in the automotive industry. Automotive OEMs are continually enhancing the intelligent features of automotive lamps to cater to consumer demands and comply with safety regulations. The headlamps have experienced upgrades in light source technology and intelligent functions, enabling automatic and precise control of various lighting parameters to enhance safety across different driving scenarios. Similarly, rear lamps have also seen advances in light source technology and structural design, capable of interaction and information exchange with other vehicles. Additionally, the penetration rate of interior lights has significantly increased, driven by the advances in vehicles' entertainment features. Moreover, the rising competition among OEMs further pushes the integration of intelligent features in automotive lamps, as it becomes a way for manufacturers to differentiate their products and enhance their competitiveness. Thus, the penetration rate of intelligent automotive lamps is expected to continue rising as OEMs prioritize and invest in incorporating intelligent features into automotive lamps.

- **Increasing penetration rate of intelligent automotive vision:** Intelligent automotive lamps offer superior performance than traditional automotive lamps, leading to an increase in the usage of intelligent automotive lamps. Intelligent automotive lamps are more energy-efficient, offering longer lifespan, reduced power consumption and higher color gamut, compared to traditional automotive lamps. Moreover, intelligent automotive lamps may be equipped with advanced technologies such as adaptive lighting and automatic high beam control, which enhance visibility and safety on the road. The integration of intelligent automotive lamps with vehicle communication systems and autonomous driving technologies has further propelled the adoption of intelligent automotive lamps. These lamps play a crucial role in enhancing the interaction between vehicles and their surroundings, ultimately contributing to the advancement of smart and autonomous driving capabilities. Intelligent automotive lamps are becoming increasingly popular due to their advanced features and technological capabilities. The penetration rate of intelligent automotive lamps is expected to rise, which can further increase the value of the automotive lighting systems per vehicle. As the expenses on intelligent lighting system are relatively higher than that of the traditional lighting system, the development of intelligent automotive lighting systems will bring positive impacts on enterprises' operations.

- **Acceleration of domestic substitution trend:** domestic manufacturers of intelligent automotive lamps possess a deeper understanding of the local market and are better positioned to serve automotive OEMs in China. They can rapidly respond to the innovative demands required of intelligent automotive vision. Moreover, the emergence of domestic automotive OEMs has been creating more opportunities for their upstream suppliers in China. By collaborating with these domestic automotive OEMs, the market share of domestic companies is predicted to further expand from over 60% in 2023 to over 70% in 2028.

- **Supportive policies and regulations:** in recent years, the Chinese government has implemented a range of policies and industrial planning standards related to vehicle safety, intelligent automotive lamps and maintaining the stability of supply chain, such as the "*14th Five-Year National Road Traffic Safety Plan*" (《"十四五"全國道路交通安全規劃》), the "*Strategy for Innovative Development of Intelligent Vehicles*" (《智能汽車創新發展戰略》) and the "*Standards of National Supply Chain Innovation and Creation of Application Examples*" (《全國供應鏈創新與應用示範創建工作規範》), etc. These policies aim to create a favorable environment for industrial development, facilitate independent innovation in technology R&D, as well as promote the localization of supply chains to reduce reliance on imported automotive-grade parts.

Competitive Landscape of the Intelligent Automotive Vision Market in China

The competitive landscape of China's intelligent automotive vision market is relatively concentrated, with the top five manufacturers taking up an aggregated market share of 49.2% in terms of revenue in 2023. The revenue from our intelligent automotive vision segment amounted to RMB771.0 million and accounting for 0.9% of the total market in terms of revenue in 2023. The table below sets forth the top five manufacturers of China's intelligent automotive vision market and their revenue from intelligent automotive vision for the year 2023:

Ranking of Top Five Manufacturers in China's in Intelligent Automotive Vision Market in Terms of Revenue, 2023

Ranking	Manufacturers of intelligent automotive vision	Revenue from intelligent automotive vision, 2023 (RMB million)	Market share[1], 2023
1	Company A	16,198.3	18.3%
2	Company B	9,760.9	11.0%
3	Company C	6,670.1	7.5%
4	Company D	6,000.0	6.8%
5	Company E	5,000.0	5.6%
	Subtotal	**43,629.3**	**49.2%**

Note: 1 Revenue from intelligent automotive vision products manufactured in China as a percentage of the total market size of China's intelligent automotive vision industry in 2023.

Company A: A non-listed company founded in 1989 and headquartered in Shanghai, it's mainly engaged in the development of visual technology and the production and sales of automotive lighting system components.

Company B: A company listed on the SSE, founded in 1993 and headquartered in Jiangsu Province, it's mainly engaged in the R&D, design, manufacturing and sales of automotive lamps.

Company C: A company listed on the FWB and LuxSE, founded in 1899 and headquartered in Germany, it's mainly engaged in development, production and the marketing of lighting and electronic components and systems for vehicle manufacturers.

Company D: A non-listed company founded in 1919 and headquartered in Italy, it's mainly engaged in the field of electronics and powertrain, automotive lighting and motorsport.

Company E: A company listed on the Euronext-Paris, founded in 1923 and headquartered in France, it's mainly engaged in the areas of electrification, advanced driving assistance systems (ADAS), reinvention of the interior experience and lighting of vehicles.

The domestic manufacturers of intelligent automotive vision achieved a market share of more than 60% in China's intelligent automotive vision market as of 2023, so they play an important role in the industry, and the top five domestic manufacturers took up an aggregated market share of 41.0% in terms of revenue in 2023. The table below sets forth the top five Chinese manufacturers of China's intelligent automotive vision market and their revenue from intelligent automotive vision for the year 2023:

Ranking of Top Five Chinese Manufacturers in China's Intelligent Automotive Vision Market in Terms of Revenue, 2023

Ranking	Manufacturers of intelligent automotive vision	Revenue from intelligent automotive vision, 2023 (RMB million)	Market share[1], 2023
1	Company A	16,198.3	18.3%
2	Company B	9,760.9	11.0%
3	Company F	4,370.2	4.9%
4	Company G	3,638.0	4.1%
5	Company H	2,371.6	2.7%
	Subtotal	**36,339.0**	**41.0%**

Note: 1 Revenue from intelligent automotive vision as a percentage of the total market size of China's intelligent automotive vision industry in 2023.

Company F: A non-listed company founded in 1998 and headquartered in Hebei Province, it's mainly engaged in the business of automotive lighting, thermal management systems, electrical systems, and smart mobility.

Company G: A non-listed company founded in 1987 and headquartered in Zhejiang Province, it's mainly engaged in the design, development and manufacturing of automotive lighting.

Company H: A non-listed company founded in 2010 and headquartered in Anhui Province, it's mainly engaged in the business of LED light sources and automotive lighting systems.

Source: CIC

Meanwhile, the mid- to high-end intelligent automotive vision market is an important segment of the automotive intelligent vision market, with the top five manufacturers tanking up an aggregated market share of 49.8% in terms of revenue in 2023. The revenue from our intelligent automotive vision products equipped on mid- to high-end vehicles amounted to RMB363.2 million and accounting for 0.5% of the total market in terms of revenue in 2023. The table below sets forth the top five manufacturers of China's mid- to high-end intelligent automotive vision market and their revenue from intelligent automotive vision products equipped on mid- to high-end vehicles for the year 2023:

Ranking of Top Five Manufacturers in China's Mid- to High-end Intelligent Automotive Vision Market[1] in Terms of Revenue, 2023

Ranking	Manufacturers of intelligent automotive vision	Revenue from intelligent automotive vision equipped on mid- to high-end vehicles, 2023 (RMB million)	Market share[2], 2023
1	Company A	11,819.1	17.8%
2	Company B	7,181.2	10.8%
3	Company C	5,336.1	8.0%
4	Company D	4,800.0	7.2%
5	Company E	4,000.0	6.0%
	Subtotal	**33,136.4**	**49.8%**

Notes:

1 Mid- to high-end intelligent automotive vision market refers to the market of intelligent automotive vision products for vehicles with an average MSRP higher than RMB150,000.

2 Revenue from intelligent automotive vision products that are equipped on mid- to high-end vehicles and manufactured in China as a percentage of the total market size of China's intelligent automotive vision products equipped on mid- to high-end vehicle models in 2023.

In China's mid- to high-end intelligent automotive vision market, the market share of top five domestic manufacturers accounted for 33.6%. And we were the fifth largest mid- to high-end Chinese intelligent automotive vision manufacturer in 2023. The table below sets forth the top five Chinese manufacturers of China's mid- to high-end intelligent automotive vision market and their revenue from intelligent automotive vision products equipped on mid- to high-end vehicles for the year 2023:

Ranking of Top Five Chinese Manufacturers in China's Mid- to High-end Intelligent Automotive Vision Market in Terms of Revenue, 2023

Ranking	Manufacturers of intelligent automotive vision	Revenue from intelligent automotive vision equipped on mid- to high-end vehicles[1], 2023 (RMB million)	Market share[2], 2023
1	Company A	11,819.1	17.8%
2	Company B	7,181.2	10.8%
3	Company F	1,676.3	2.5%
4	Company G	1,309.7	2.0%
5	**The Company**	**363.2**	**0.5%**
	Subtotal	**22,349.5**	**33.6%**

Notes:

1 Mid- to high-end vehicles refer to vehicles with an average MSRP higher than RMB150,000;

2 Revenue from intelligent automotive vision equipped on mid- to high-end vehicles as a percentage of the total market size of China's intelligent automotive vision products equipped on mid- to high-end vehicle models in 2023.

Entry Barriers and Key Success Factors of the Intelligent Automotive Vision Market in China

- **Technological advantage:** as intelligent automotive vision technology advances, intelligent automotive vision manufacturers must diversify and enhance their technical capabilities with respect to automotive electronics and electrical technology, as well as optoelectronic semiconductor technology. Developing proficiency in these areas requires extensive expertise and qualified R&D teams. Furthermore, it is crucial for these manufacturers to consistently innovate, iterate and upgrade their technologies and products to satisfy the changing demands and developing performance standards in the intelligent automotive vision market, and thus maintain a leading position in the industry.

- **Advanced large-scale mass production and quality control capabilities:** intelligent automotive vision manufacturers are required to have advanced large-scale mass production capabilities that enable them to meet market demands and deliver products in a timely manner. Furthermore, given the stringent safety and reliability standards set by automotive OEMs for auto parts, including intelligent automotive vision, it is crucial for intelligent automotive vision manufacturers to maintain a robust quality control system. This system shall effectively comply with relevant standards and meet the requirements of automotive OEMs.

- **Stable customer relationships:** stable and long-term customer relationship with automotive OEMs is vital for intelligent automotive vision suppliers as it ensures the sustainability of purchase orders. Automotive OEMs can also provide valuable market insights and timely feedback, enabling intelligent automotive vision manufacturers to develop products which respond the market demand better.

- **Vertical integration capabilities within the industry value chain:** companies with vertical integration capabilities are able to collaborate with automotive OEMs across different stages of product development, such as R&D, product design and production. This collaboration results in a shorter R&D cycle and quicker response to market demand. Meanwhile, effective management of the entire supply chain is crucial for companies to ensure a steady supply of raw materials and key components. In addition, the vertical integration within the industry value chain enables companies to quickly grasp new technology development trends and apply them to product R&D and improvements to meet the needs for upgrades of product and technology.

- **Abundant capital resources:** in order to enter the intelligent automotive vision sector, market participants need to make substantial initial investments in purchasing production equipment and bear high costs associated with R&D and mold development. Intelligent automotive vision manufacturers with abundant capital resources are better positioned to engage in R&D activities, increase production capacity and broaden their market reach. These investments enable the intelligent automotive vision suppliers to achieve economies of scale and secure a competitive edge in this highly competitive market.

ANALYSIS OF CHINA'S HIGH-END LIGHTING AND LCD TV BACKLIGHT DISPLAY INDUSTRIES

Overview of High-end Lighting and LCD TV Backlight Display Industries

Along with the development of LED technology, high-end LED products are superseding the traditional lighting and display products. High-end LED products, including high-end lighting products and LCD TV backlight displays, offer higher CRI, higher power, higher luminous efficacy and more intelligent features, compared with low-power LED products. Hence, from the perspective of performance, life span, reliability, price and other parameters, high-end LED products have a promising market potential. The high-end lighting and LCD TV backlight display in the following sections refer to their corresponding devices and modules.

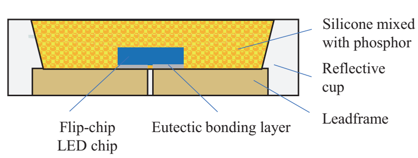
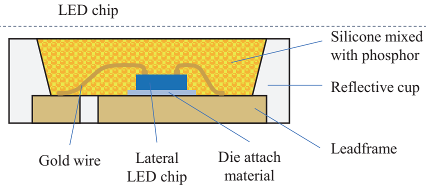
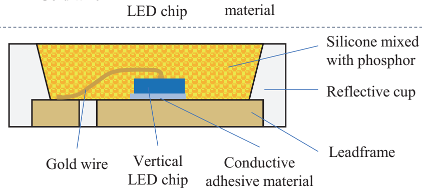
LCD TV backlight display is a pivotal component of the advanced display market. The adoption of LED technology in LCD TV backlight displays has led to significant improvements in uniformity of brightness, energy efficiency and slim designs. As the industry matures, it is common for manufacturers of LCD TV backlight display devices to deliver products to TV companies in the form of display modules.

LED packaging lies in the middle of the value chain of the high-end lighting and advanced backlight display industries. It refers to the process of assembling LED chips, leadframes and other components to form LED devices for various applications, which provides LED chips with physical support and protects the chips from the external environment. As a crucial process in the LED value chain, LED packaging primarily enhances the reliability, performance, life span and power supply control of LEDs. It also determines the cost and final performance of LED products.

Analysis and Categorization of LED Packaging Technologies

Categorization of LED packaging technologies by the structure of LED chips

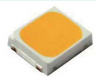
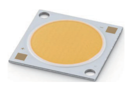
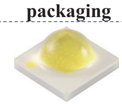
Based on the structure of LED chips, LED packaging technologies can be categorized into flip-chip LED technology, lateral chip LED technology and vertical LED technology. The table below sets forth the categorization of LED packaging technologies by the structure of LED chips:

Category	Structure	Key features
Flip-Chip LED		• Flip-chip LED technology has a different structure from the lateral chip packaging technology, offering high reliability, heat dissipation efficiency and luminous efficacy. With the development of high-end lighting, backlight display and other sectors, flip-chip LED technology is expected to be widely adopted in high-end scenarios, such as Mini LED, outdoor light and automotive headlamps.
Lateral Chip		• Lateral chip technology is relatively mature with low cost, but faces challenges related to poor heat dissipation and current block phenomenon. It occupies the mainstream position in the low-power LED devices.
Vertical LED		• Vertical LED technology is not the predominant technology for LED packaging, due to its high cost. It transfers heat efficiently for better heat dissipation and is mainly applied in high-power LED devices.

Source: CIC

Categorization of LED packaging technologies by device form

Based on device forms, LED packaging technologies can be categorized into SMD package, COB package, high-power LED package and pin-type package. The table below sets forth the categorization of LED packaging solution by device form:

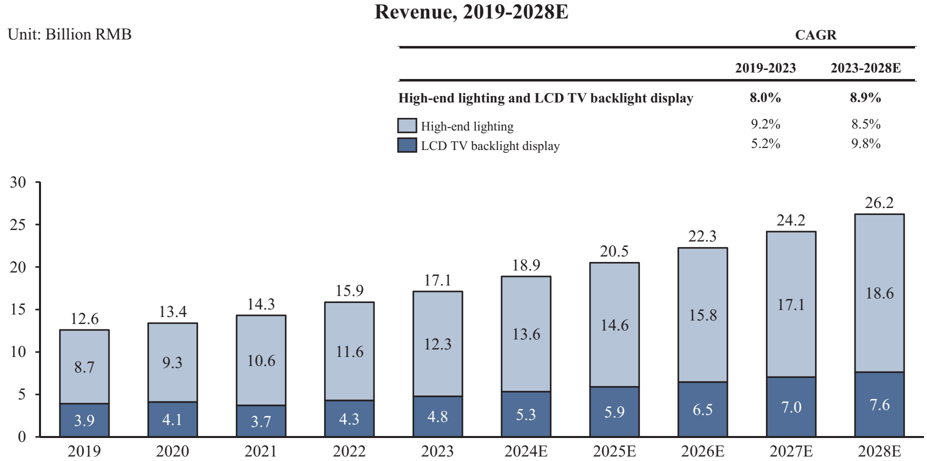
Category	Key features
 **Surface mounted devices (SMD) LED packaging**	• SMD LED packaging is a packaging technology that LED chips are mounted on the designated position on the leadframe. Bonding wires are required for electrical connection, then silicone covers the upper portion to protect the chips. It is mainly used for the packaging of low- to mid-power LED devices.
 **Chip-on-board (COB) LED packaging**	• COB LED packaging is a packaging technology that multiple LED chips are directly attached onto the PCB or ceramic board and wire bonding or flip-chip bonding technology is utilized to realize the electrical connection between the chip and the board, followed by covering the chips and bonding wires to protect them using phosphor-mixed silicone. It serves as the major packaging solution for high-end commercial lighting.
 **High-power LED packaging**	• High-power LED packaging is designed for high-power LED products, encompassing leadframe-type packaging and ceramic-based high-power LED packages, etc. In particular, the ceramic-based high-power LED package has become the mainstream solution for outdoor lighting, horticultural lighting and smartphone flashlights, etc.
 **Pin-type packaging**	• Pin-type packaging is considered to be the earliest form of all LED packages, with a structure comprising two or more leads. It is commonly used in low-power LED devices and applied in the instrument display.

Source: CIC

Market Size of China's High-end Lighting and LCD TV Backlight Display Industries

According to CIC, China is the largest LED packaging market in the world. The market size of devices and modules for China's high-end lighting and LCD TV backlight display industries in terms of revenue reached RMB17.1 billion in 2023, which is attributed to the iteration of LED packaging technologies, increasing environment protection requirements and the expansion of application scenarios. The market size of devices and modules for China's high-end lighting and LCD TV backlight display industries in terms of revenue is expected to reach RMB26.2 billion in 2028, at a CAGR of 8.9% from 2023 to 2028. The following chart sets forth the market size of devices and modules for China's high-end lighting and LCD TV backlight display industries, in terms of revenue:

Market Size of China's High-end Lighting and LCD TV Backlight Display Industries, in Terms of Revenue, 2019-2028E



Note:

1 The market size here refers to the total revenue of devices and modules from the high-end lighting and LCD TV backlight display products manufactured in China.

Source: NBS, CSA, CIC

Market Drivers of the High-end Lighting and LCD TV Backlight Display Market in China

- **Technology innovation:** the continuous enhancements in LED chip technologies, packaging structures and advanced materials have significantly improved the performance of high-end lighting and LCD TV backlight display devices with respect to color performance, reliability and light efficiency, etc. These improvements have been crucial in providing more development opportunities and application scenarios for high-end lighting and LCD TV backlight displays, resulting in a notable increase of demand for high-end LED devices and modules.

- **Energy efficiency and environmental protection:** compared to traditional lighting technologies, the energy efficiency of LED technologies is more closely aligned with the requirements of environmental protection policies. Government policies and regulations promoting energy conservation and environmental protection, coupled with increasing societal awareness, have driven the adoption of high-performance, high CRI LED devices and modules. These devices and modules have become the mainstream choice in the high-end lighting and LCD TV backlight display industries.

- **Accelerated expansion of downstream application scenarios:** with the rapid development and expansion of downstream application scenarios such as indoor and outdoor lighting, horticultural lighting, intelligent lighting, special lighting, backlight display, commercial display, etc., the demand for diverse and customized lighting and display systems is surging. LED technology, with its advantages of high luminous efficacy and long life span, has become the mainstream lighting technology in the high-end lighting and LCD TV backlight display industries.

Future Trends in the High-end Lighting and LCD TV Backlight Display Market in China

- **Miniaturization and high-power of LED devices and modules:** the advances in electronic products towards being lightweight, slim and compact in design has correspondingly led to the miniaturization of LED devices and modules. This trend poses greater challenges on LED device and module manufacturers in terms of their technical capabilities. Additionally, the rising demand for high-power LED devices and modules has prompted such manufacturers to refine their product designs and adopt high-quality and high-performance materials to meet the market's requirements.

- **Increasing demand of products with higher performance:** with the rapid expansion of LED application scenarios, the consumers' demand for LED products with enhanced performance with respect to CRI, luminous efficacy and power output is increasing. This is particularly evident in emerging application scenarios such as horticultural lighting and intelligent lighting. Consequently, high-end lighting and LCD TV backlight display products are expected to witness a higher growth rate in these application scenarios and secure an increasing market share in the coming years.

- **Development of Mini/Micro LED technologies:** the emergence of Mini/Micro LED technologies represents the future development trend in high-end LED products. These technologies enable higher definition, increased brightness, higher color saturation, higher power efficiency and longer life span for high-end LED products. Notably, with the abilities of conducting precise and dynamic control of light and accurate color reproduction, Mini LED light sources effectively improve the image quality of TVs. This has led to an accelerated application of Mini LED technology in TVs.

- **Increasing concentration of industry landscape:** as technologies continue to advance and market demands evolve, leading companies in the high-end lighting and LCD TV backlight display industries are expected to increase their market share through continual technological innovations. Consequently, some small and mid-size manufacturers are likely to be phased out due to a lack of scale effect.

Competitive Landscape of the High-end Lighting and LCD TV Backlight Display Market in China

The competitive landscape of China's high-end lighting market is relatively fragmented, with the top five manufacturers taking up an aggregated market share of 39.3% in terms of revenue in 2023. Our revenue from high-end lighting segment amounted to RMB650.8 million for the year 2023, with a market share of 5.3%, ranking fifth in the industry during the period. The table below sets forth the top five manufacturers of China's high-end lighting and their relevant revenue for the year 2023:

Ranking of Top Five Manufacturers in China's High-end Lighting Market in Terms of Revenue, 2023

Ranking	Manufacturers of high-end lighting	Revenue from high-end lighting, 2023 (RMB million)	Market share[1], 2023
1	Company I	1,512.8	12.3%
2	Company J	1,200.0	9.7%
3	Company K	816.7	6.6%
4	Company L	665.0	5.4%
5	**The Company**	**650.8**	**5.3%**
	Subtotal	**4,845.3**	**39.3%**

Note: 1 Revenue from LED devices and modules manufactured in China for high-end lighting applications as a percentage of the total market size of devices and modules for China's high-end lighting industry in 2023.

Company I: A company listed on the SZSE, founded in 2004 and headquartered in Guangdong Province, it mainly focuses on semiconductor packaging, LED automotive lighting etc.

Company J: A non-listed company founded in 2004 and headquartered in Fujian Province, it mainly focuses on manufacturing of LED professional lighting and semiconductors package devices.

Company K: A non-listed company founded in 1999 and headquartered in the U.S., it mainly focuses on the delivery of differentiated lighting solutions.

Company L: A non-listed company founded in 2002 and headquartered in the U.S., it mainly focuses on solid-state lighting solutions.

The domestic manufacturers of high-end lighting achieved a market share of more than 50% in China's high-end lighting market as of 2023, so they play an important role in the industry, and the top five domestic manufacturers took up an aggregated market share of 37.4% in terms of revenue in 2023. And we were the third largest domestic manufacturer of high-end lighting market in 2023. The table below sets forth the top five Chinese manufacturers of China's high-end lighting and their relevant revenue for the year 2023:

Ranking of Top Five Chinese Manufacturers in China's High-end Lighting Market in Terms of Revenue, 2023

Ranking	Manufacturers of high-end lighting	Revenue from high-end lighting, 2023 (RMB million)	Market share[1], 2023
1	Company I	1,512.8	12.3%
2	Company J	1,200.0	9.7%
3	**The Company**	**650.8**	**5.3%**
4	Company M	634.5	5.1%
5	Company N	619.1	5.0%
	Subtotal	**4,617.2**	**37.4%**

Note: 1 Revenue from LED devices and modules for high-end lighting applications as a percentage of the total market size of devices and modules for China's high-end lighting industry in 2023.

Company M: A company listed on the SZSE, founded in 1997 and headquartered in Guangdong Province, it mainly focuses on LED packaging and LED application products.

Company N: A company listed on the SZSE, founded in 1969, and headquartered in Guangdong Province, it mainly focuses on manufacturing LED packaging devices and LED application products.

Source: CIC

The competitive landscape of China's LCD TV backlight display market is relatively concentrated, with the top five manufacturers taking up an aggregated market share of 66.6% in terms of revenue in 2023, and they were all domestic manufacturers. Our revenue from LCD TV backlight display (i.e. revenue from our advanced display business) segment amounted to RMB436.2 million for the year 2023, with a market share of 9.1%, ranking fourth in the industry during the period. The table below sets forth the top five manufacturers of China's LCD TV backlight display and their revenue for the year 2023:

Ranking of Top Five Manufacturers in China's LCD TV Backlight Display Market in Terms of Revenue, 2023

Ranking	Manufacturers of LCD TV backlight display	Revenue from LCD TV backlight display[1], 2023 (RMB million)	Market share[2], 2023
1	Company O	955.0	20.0%
2	Company P	907.5	19.0%
3	Company Q	514.0	10.7%
4	**The Company**	**436.2**	**9.1%**
5	Company R	373.1	7.8%
	Subtotal	**3,185.8**	**66.6%**

Notes:

1 Only includes revenue from LED devices and modules for LCD TV backlight display applications, excluding small and mid-size LED advanced backlight display applications;

2 Revenue from LED devices and modules for LCD TV backlight display applications as a percentage of the total market size of devices and modules for China's LCD TV backlight display industry in 2023.

Company O: A company listed on the SZSE, founded in 2005 and headquartered in Guangdong Province, it mainly focuses on R&D, manufacturing and marketing of LED devices, optical devices, optical films and invisible light products.

Company P: A non-listed company founded in 2011 and headquartered in Jiangxi Province, it mainly focuses on research, production and sales of LED devices and modules.

Company Q: A company listed on the SZSE, founded in 2012 and headquartered in Anhui Province, it mainly focuses on the R&D, production and sales of semiconductor devices, LED display devices and LED lighting.

Company R: A company listed on the SZSE, founded in 2000 and headquartered in Guangdong Province, it mainly focuses on R&D, production and sales of LED and LED application.

Source: CIC

Entry Barriers and Key Success Factors of the High-end Lighting and LCD TV Backlight Display Market in China

- **Advanced technology R&D capabilities and talent team:** LED packaging technologies involve multiple disciplines, including material science, thermal science and optoelectronics. To enhance the performance of LED devices, manufacturers must conduct comprehensive studies on materials selection, optical structures and so forth. Additionally, given the rapid evolution of production processes and technologies, it is crucial for manufacturers to maintain a robust R&D team dedicated to the continual development of innovative technology and products.

- **Strong quality control:** the packaging process for high-end LED products necessitates stringent quality control measures. Companies need to have a stable and comprehensive quality control system to ensure high yield rate, luminous efficacy and quality consistency of LED products. In addition, LED product manufacturers with strong manufacturing process control and quality control capabilities are in better position to improve product performance and reduce costs.

- **Stable customer relationships:** establishing stable cooperative relationships with top-tier customers requires years of development and accumulation for LED product manufacturers. To address the varied demands of consumers, manufacturers of devices and modules for high-end lighting and LCD TV backlight need collaborate closely with their customers to periodically upgrade their products. In turn, the manufacturers can also obtain valuable market feedback to optimize product design and introduce competitive solutions. These can effectively help establish their leading positions in the market.

This section provides an overview of the major PRC laws, regulations and rules relevant to our business. The information contained herein shall not be interpreted as a comprehensive summary of all laws and regulations applicable to us.

PRIMARY REGULATORY AUTHORITY

Our company is mainly engaged in providing intelligent visual products and system solutions that integrate "LED+" technology which falls under the semiconductor optoelectronics industry. The industry's governing body is the Ministry of Industry and Information Technology of the People's Republic of China (hereinafter referred to as the "**MIIT**").

The main responsibilities of the MIIT include formulating guiding industrial policies, drafting pertinent legislative and regulatory proposals and establishing rules, among others, to guide the development of the industry.

The industry association to which our company belongs is the China Optics and Optoelectronics Manufacturers Association (hereinafter referred to as "**COEMA**"). The COEMA, established with the approval of the State Council and managed by the MIIT, primarily engages in industry research and academic exchanges, and conducts self-regulatory management of the industry.

LAWS AND REGULATIONS ON FOREIGN INVESTMENT

Company Law of the People's Republic of China

The Company Law of the People's Republic of China (《中華人民共和國公司法》) was promulgated by the Standing Committee of the National People's Congress on December 29, 1993 and implemented on July 1, 1994, amended and implemented on October 26, 2018, and last amended on December 29, 2023 and implemented on July 1, 2024. According to the Company law of the People's Republic of China, companies are generally divided into two categories: limited liability companies and joint stock companies. The Company Law of the People's Republic of China also applies to foreign-invested joint stock companies.

Foreign Investment Law of the People's Republic of China and Implementation Regulation of the Foreign Investment Law of the People's Republic of China

The Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法》) was promulgated by the National People's Congress on March 15, 2019, and implemented on January 1, 2020. The Implementation Regulation of the Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法實施條例》) was promulgated by the State

Council on December 26, 2019, and implemented on January 1, 2020. The aforementioned law and regulation establish the principles and measures designed to encourage foreign investments in China and clearly stipulate that China provides legal protection for the investments, profits and other legitimate rights and interests of foreign investors in China.

Special Administrative Measures (Negative List) for the Access of Foreign Investment

The Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021) (《外商投資准入特別管理措施(負面清單) (2021年版)》) was promulgated by the MOFCOM and the NDRC on December 27, 2021, and implemented on January 1, 2022. The Special Administrative Measures (Negative List) for the Access of Foreign Investment (2024) (《外商投資准入特別管理措施(負面清單)(2024年版)》) was promulgated by the MOFCOM and NDRC on September 6, 2024 and will be implemented on November 1, 2024. The Special Administrative Measures (Negative List) for the Access of Foreign Investment comprehensively enumerates restrictive measures pertaining to foreign investment access, which include equity percentage requirements and executive qualifications, and industries where foreign investment is prohibited. The Negative List (2021) covers 12 industries, and foreign and domestic investments are managed uniformly under the principle of national treatment for industries not included.

Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies

The Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (hereinafter referred to as the "**Overseas Listing Trial Measures**") were promulgated by the CSRC on February 17, 2023, and implemented on March 31, 2023. According to these Trial Measures, issuers seeking an initial public offering or listing abroad must file with the CSRC within three working days following the submission of their application documents for issuance and listing abroad. From February 17, 2023, the CSRC ceased to accept administrative license applications for overseas public offerings and listings (including additional issues) by joint stock companies and began to accept communication on filing applications. From March 31, 2023, the CSRC started to receive filing applications.

Pursuant to the aforementioned regulations, issuers are prohibited from overseas offering and listing if they fall under one of the following circumstances: (1) where such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (2) where the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (3) where the domestic company intending to make the securities offering and listing, or its controlling shareholders and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (4) where the domestic company intending to make the securities offering and listing is suspected of committing crimes or major violations of laws and regulations, and is under investigation according to law, and no conclusion has yet been made thereof; (5) where there are material ownership disputes over equity held by the domestic company's controlling shareholder or by other shareholders that are controlled by the controlling shareholder and/or actual controller.

Where a domestic company seeks to directly offer and list securities in overseas markets, the issuer shall file with the CSRC, submit a filing report, legal opinion, and other relevant materials and provide truthful, accurate and complete information on the shareholders, among other details.

Guidelines for the Application of "Full Circulation" of Domestic Unlisted Shares of H-share Companies (2023 Revision)

The Guidelines for the Application of "Full Circulation" of Domestic Unlisted Shares of H-share Companies (2023 Revision) (《H股公司境內未上市股份申請"全流通"業務指引(2023修訂)》) were issued and implemented by the CSRC on August 10, 2023. According to these guidelines, domestic unlisted joint stock companies may file with the CSRC for "full circulation" simultaneously with their initial public offerings or listings in overseas markets.

Measures for the Administration of Overseas Investments and Measures for the Administration of Enterprises' Overseas Investments

The Measures for the Administration of Overseas Investments (《境外投資管理辦法》) were issued by the MOFCOM on September 6, 2014, and implemented on October 6, 2014. The Measures for the Administration of Enterprises' Overseas Investments (《企業境外投資管理辦法》) were issued by the NDRC on December 26, 2017, and implemented on March 1, 2018.

According to these Measures, overseas investment refers to investment activities by domestic enterprises, directly or through their controlled overseas enterprises, by injecting assets, equity, providing financing, guarantees, etc., to acquire ownership, control rights, management rights and other relevant rights abroad. The scope of approval management includes sensitive projects undertaken directly or through their controlled overseas enterprises of the investing entities. The MOFCOM and the commerce departments at provincial levels are responsible for the administration and supervision of overseas investments. Depending on the different circumstances of enterprises' overseas investments, they either implement filing or approval management. Enterprises' overseas investments involving sensitive countries and regions or sensitive industries, are subject to approval management by the NDRC. Other overseas investments by enterprises are subject to filing management.

The MOFCOM and the commerce departments at provincial levels manage enterprises' overseas investments through the "Overseas Investment Management System" and issue the Certificate of Overseas Investment by Enterprises to enterprises that have obtained filing or approval.

LAWS AND REGULATIONS ON LABOR PROTECTION

Labor Law of the People's Republic of China

The Labor Law of the People's Republic of China (《中華人民共和國勞動法》) was promulgated by the Standing Committee of the National People's Congress on July 5, 1994, implemented on January 1, 1995, and most recently revised and implemented on December 29, 2018. The Labor Law of the People's Republic of China stipulates matters related to promoting employment, labor contracts, working hours, rest and leave, wages, labor safety and hygiene, special protection for female and minor workers, vocational training, social insurance and welfare, labor disputes, supervision and inspection, as well as legal liabilities.

Labor Contract Law of the People's Republic of China and Implementation Regulation of the Labor Contract Law of the People's Republic of China

The Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) was issued by the Standing Committee of the National People's Congress on June 29, 2007, implemented on January 1, 2008, and most recently revised on December 28, 2012, with the revision taking effect on July 1, 2013. The Implementation Regulation of the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法實施條例》) were issued and implemented by the State Council on September 18, 2008. According to the aforementioned law and regulation, a written labor contract shall be established when forming a labor relationship. Employers shall not force employees to work overtime and must pay overtime wages according to national regulations if overtime is arranged. Wages must not be lower than the local minimum wage standard and must be paid to employees promptly.

Social Insurance Law of the People's Republic of China and Provisional Regulations on Collection and Payment of Social Insurance Premiums

The Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》) was promulgated by the Standing Committee of the National People's Congress on October 28, 2010, and most recently revised and implemented on December 29, 2018. The Provisional Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) was issued and implemented by the State Council on January 22, 1999, and revised and implemented on March 24, 2019. According to the aforementioned law and regulation, employers are required to pay social insurance premiums for employees in full, including pension, unemployment, maternity, work-related injury and medical insurance. Employers who fail to register for social insurance shall be ordered by the social insurance administrative department to rectify it within a prescribed period. Those who fail to rectify within the prescribed period shall be liable for a fine one to and three times the amount of the payable social insurance premiums, and the directly responsible supervisors and other directly responsible personnel shall be liable for a fine ranging from RMB500 to RMB3,000. Employers who fail to pay social insurance premiums in full and on time shall be ordered by the social insurance premium collection agency to pay or make up the payment within a prescribed period. From the date of the arrears, a late fee of 0.05% per day will be charged; if no rectification was made upon expiry of such prescribed period, the relevant administrative department may impose a fine of one to three times the amount of the arrears.

Regulations on Management of Housing Provident Fund

The Regulations on Management of Housing Provident Fund (《住房公積金管理條例》) was issued by the State Council on April 3, 1999, and most recently revised and implemented on March 24, 2019. According to the aforementioned regulation, when an employer hires an employee, it must register for housing provident fund contributions with the housing provident fund management center within 30 days from the date of employment and handle the establishment or transfer of the employee's housing provident fund account. If an employer fails to pay or underpays the housing provident fund within the prescribed time, the housing provident fund management center shall order the employer to pay upon expiry of such period. If the employer still fails to pay after the deadline, the management center may apply to a people's court for compulsory enforcement.

Interim Provisions on Labor Dispatch

The Interim Provisions on Labor Dispatch (《勞務派遣暫行規定》) were issued by the Ministry of Human Resources and Social Security on January 24, 2014, and implemented on March 1, 2014. According to these provisions, secondment employers can only engage dispatched workers for temporary, auxiliary or substitute job positions. Secondment employers should strictly restrict the number of dispatched workers engaged, and the number of dispatched workers shall not exceed 10% of the total workforce. Employers engaging workers in the form of labor dispatch under the guise of contracting, outsourcing or other forms shall be processed in accordance with these provisions.

LAWS AND REGULATIONS ON TAXATION

Enterprise Income Tax Law of the People's Republic of China, Implementing Regulations of the Enterprise Income Tax Law of the People's Republic of China and Measures for the Administration of Recognition of High and New Technology Enterprises

The Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) was promulgated by the Standing Committee of the National People's Congress on March 16, 2007, implemented on January 1, 2008, and most recently revised and implemented on December 29, 2018. The Implementing Regulations of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》) were issued by the State Council on December 6, 2007, implemented on January 1, 2008, and most recently revised and implemented on April 23, 2019. The Measures for the Administration of Recognition of High and New Technology Enterprises (《高新技術企業認定管理辦法》) were issued by the Ministry of Science and Technology, Ministry of Finance, and State Administration of Taxation on January 29, 2016, and implemented on January 1, 2016. According to these laws and regulations, both resident and non-resident enterprises are subject to a uniform enterprise income tax rate of 25%. Enterprises certified as High and New Technology Enterprises are subject to a tax rate of 15%, while qualified small and low-profit enterprises are subject to a 20% rate. However, non-resident enterprises without establishments or places of business in China, or those whose income have no actual connection with their establishments or places of business in China, shall pay enterprise income tax at the rate of 20% on their income sourced from within China.

Circular of the State Administration of Taxation on Issues Concerning the Implementation of Dividend Clauses in Tax Treaties

Issued and implemented by the State Administration of Taxation on February 20, 2009, the Circular of the State Administration of Taxation on Issues Concerning the Implementation of Dividend Clauses in Tax Treaties (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) stipulates that when a Chinese resident company pays dividends to a resident of a tax treaty counterpart, and the recipient (or the beneficiary of the dividends) is the beneficial owner of the dividends, the recipient is entitled to the preferential treatment under the tax treaty, i.e., the income tax in China is calculated at the rate specified in the tax treaty in China. If the treaty rate is higher than the domestic tax rate of China, the taxpayer may still be taxed according to Chinese domestic tax laws. If the resident of a tax treaty counterpart directly owns a certain percentage of the capital (generally 25% or 10%) of the Chinese resident company paying the dividends, the dividends received by the resident of a tax treaty counterpart will be taxed at the treaty-specified rate.

Announcement of the State Administration of Taxation on Issues Concerning the "Beneficial Owner" in Tax Treaties

Published by the State Administration of Taxation on February 3, 2018, and implemented on April 1, 2018, the Announcement of the State Administration of Taxation on Issues Concerning the "Beneficial Owner" in Tax Treaties (《國家稅務總局關於稅收協定中"受益所有人"有關問題的公告》) defines the "beneficial owner" in the dividend, interest and royalties articles of double taxation avoidance agreements signed by the PRC government as a person who has ownership and control over the income or the rights or property from which the income is derived. The determination of the status of a "beneficial owner" who is a resident of a treaty counterpart seeking treaty benefits should be made based on the factors listed in the Announcement, combined with a comprehensive analysis of the specific circumstances of each case.

Administrative Measures for Non-resident Taxpayers to Enjoy Treaty Benefits

Issued by the State Administration of Taxation on October 14, 2019, and implemented on January 1, 2020, the Administrative Measures for Non-resident Taxpayers to Enjoy Treaty Benefits (《非居民納稅人享受協定待遇管理辦法》) state that non-resident taxpayers who enjoy treaty benefits should handle them through a process of "self-assessment, declaration of entitlement, and retention of relevant materials for future reference." A non-resident taxpayer who determines that he or she meets the conditions for enjoying treaty benefits may enjoy such benefits at the time of tax declaration or through the withholding agent at the time of withholding declaration. Non-resident taxpayers should also collect and retain relevant materials according to the provisions of the Administrative Measures and accept subsequent management by the tax authorities.

The Fifth Protocol of the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income

The Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) was issued and implemented by the State Administration of Taxation and the Government of the Hong Kong Special Administrative Region on August 21, 2006, and the Fifth Protocol of the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《<內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排>第五議定書》) was officially signed in Beijing on July 19, 2019, and came into effect on December 6, 2019. According to these regulations, if a Hong Kong resident enterprise directly holds at least 25% of the capital of a Chinese resident enterprise, the tax rate on dividends paid by the Chinese resident enterprise to the Hong Kong resident enterprise shall be 5% of the total dividends; in other cases, the rate shall be 10% of the total dividends.

Provisional Regulations of the People's Republic of China on Value-Added Tax, Detailed Rules for the Implementation of the Provisional Regulations of the People's Republic of China on Value-Added Tax, Circular on Adjusting Value-Added Tax Rates and Announcement on Policies Related to Deepening Value-Added Tax Reform

The Provisional Regulations of the People's Republic of China on Value-Added Tax (《中華人民共和國增值稅暫行條例》) were issued by the State Council on December 13, 1993, implemented on January 1, 1994, and most recently revised and implemented on November 19, 2017. The Detailed Rules for the Implementation of the Provisional Regulations of the People's Republic of China on Value-Added Tax (《中華人民共和國增值稅暫行條例實施細則》) were issued by the Ministry of Finance on December 25, 1993, and most recently revised on October 28, 2011, and came into force on November 1, 2011. The Circular on Adjusting Value-Added Tax Rates (《關於調整增值稅稅率的通知》) was issued and implemented by the Ministry of Finance and the State Administration of Taxation on April 4, 2018, and implemented on May 1, 2018. The Announcement on Policies Related to Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》) was issued by the Ministry of Finance, the State Administration of Taxation, and the General Administration of Customs on March 20, 2019, and implemented on April 1, 2019. According to these regulations, rules, circulars and announcements, all enterprises and individuals engaging in the sale of goods or providing processing, repair and replacement services, sales services, intangible assets, real estate and import of goods in China are subject to value-added tax; from April 1, 2019, the generally applicable VAT rates are 13%, 9%, 6% and 0%, with a VAT rate of 3% applicable to small-scale taxpayers.

PRC LAWS AND REGULATIONS ON REAL ESTATE

Civil Code of the People's Republic of China

The Civil Code of the People's Republic of China (《中華人民共和國民法典》) was promulgated by the National People's Congress on May 28, 2020, and implemented on January 1, 2021. According to the Civil Code, the establishment, modification, assignment and extinguishment of real estate property rights are effective upon registration in accordance with the law; unless the law stipulates otherwise, such establishment, modification, assignment and extinguishment shall be ineffective without registration. Real estate registration shall be handled by the registration authority at the location of the property.

Land Administration Law of the People's Republic of China

The Land Administration Law of the People's Republic of China (《中華人民共和國土地管理法》) was first issued by the Standing Committee of the National People's Congress on June 25, 1986, most recently revised and issued on August 26, 2019, and implemented on January 1, 2020. Pursuant to the Land Administration Law, construction entities that have obtained state-owned land use rights through paid leasing must pay the land use right leasing fees and other fees and expenses in accordance with the standards and methods prescribed by the State Council before they can use the land. Construction entities using state-owned land must use the land in accordance with the provisions of the contract for paid use of leased land use right or according to the provisions of the documents of approval concerning the allocation of land use right. If it is necessary to change the purpose of the land use, approval must be obtained from the competent natural resources department of the relevant people's government and from the people's government that originally approved the land use. For urban planned areas, changing land use requires prior consent from the relevant urban planning administrative department before seeking approval.

Regulations for the Implementation of the Land Administration Law of the People's Republic of China

The Regulations for the Implementation of the Land Administration Law of the People's Republic of China (《中華人民共和國土地管理法實施條例》) were first issued by the State Council on January 4, 1991, most recently revised on July 2, 2021, and implemented on September 1, 2021. According to these regulations, the use of state-owned land by the construction entities shall be acquired by way of paid use, except for those that can be obtained through allocation as stipulated by laws and administrative regulations. Methods of paid use of state-owned land include (i) transfer of state-owned land use rights; (ii) leasing of state-owned land; and (iii) contribution or equity participation in state-owned land use rights.

Interim Regulations on Real Estate Registration

The Interim Regulations on Real Estate Registration (《不動產登記暫行條例》) were first issued by the State Council on November 24, 2014 and implemented on March 1, 2015, and most recently revised on March 10, 2024 and implemented on May 1, 2024. According to these regulations, real estate shall be registered based on real estate unit. Each real estate unit has a unique code. Real estate registration authorities shall establish a unified real estate register in accordance with the provisions of the competent department of natural resources of the State Council. The real estate register shall record the following: (i) natural conditions of the real estate such as location, boundaries, spatial limits, acreage and usage; (ii) property conditions of the real estate rights such as ownership, type, content, source, term, changes in rights; (iii) matters related to restrictions and warnings on real estate rights; and (iv) other relevant matters.

Interim Regulations on the Granting and Assignment of Urban State-Owned Land Use Rights of the People's Republic of China

The Interim Regulations on the Granting and Assignment of Urban State-Owned Land Use Rights of the People's Republic of China (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》) were first issued by the State Council on May 19, 1990, and most recently revised and implemented on November 29, 2020. According to these regulations, the assignment of land use rights refers to the act of the state, in its capacity as the landowner, assigns the land use right for a certain period to land users, who in turn pay fees for the assignment thereof to the state. An assignment contract must be signed for assigning the land use rights. Land users shall develop, utilize and manage the land in accordance with the provisions of the contract for the assignment of land use right and the requirements of urban planning. If the land is not developed and used within the period and conditions as stipulated in the contract, the land administration departments under the people's governments at the municipal and county levels shall rectify the purpose of the situation and may impose penalties, including warnings, fines or the uncompensated reclamation of land use rights, depending on the circumstances. If a land user needs to change the land use as stipulated in the contract for the assignment of land use right, it shall obtain the consent of the grantor and the approval of the land administration department and urban planning department, sign a new contract for the assignment of land use right, adjust the amount of the assignment fee, and complete the registration.

Measures for the Administration of Commodity Housing Leasing

The Measures for the Administration of Commodity Housing Leasing (《商品房屋租賃管理辦法》) were issued on December 1, 2010 and implemented on February 1, 2011. According to these measures, parties to a housing lease shall enter into a lease contract in accordance with the law. The content of the housing lease contract shall be agreed upon by both parties.

Regulations on the Approval and Filing Management of Enterprise Investment Projects and Measures for the Approval and Filing Management of Enterprise Investment Projects

The Regulations on the Approval and Filing Management of Enterprise Investment Projects (《企業投資項目核准和備案管理條例》) were promulgated on November 30, 2016, and implemented from February 1, 2017. The Measures for the Approval and Filing Management of Enterprise Investment Projects (《企業投資項目核准和備案管理辦法》) were issued on March 8, 2017, and implemented on April 8, 2017 and amended by the Decision of the National Development and Reform Commission on Revision of Regulations and Administrative Normative Documents on Investment Management (《國家發展改革委關於修訂投資管理有關規章和行政規範性文件的決定》) issued on March 23, 2023 and implemented on May 1, 2023. According to these regulations and measures, projects related to national security, significant national productivity layouts, strategic resource development and major public interests are subject to approval management. The determination of specific projects and approval authority is governed by the investment project catalog approved by the government. This catalog is proposed by the investment authority under the State Council in conjunction with relevant departments of the State Council, implemented following the State Council's approval, and adjusted periodically. Except for special provisions, other projects are subject to filing management, typically following the principle of territoriality, with local governments stipulating the filing authorities and their powers.

Project approval and filing are primarily conducted through the national online project monitoring platform ("**Online Platform**"), which is jointly used by approval authorities, filing authorities and other relevant departments.

Should there be significant changes to a project after filing or if the project is given up, the project entity shall promptly notify the filing authority through the Online Platform and update relevant information. Projects under filing management shall also complete other procedures stipulated by laws and regulations before commencing work.

Urban and Rural Planning Law of the People's Republic of China

The Urban and Rural Planning Law of the People's Republic of China (《中華人民共和國城鄉規劃法》) was first promulgated by the Standing Committee of the National People's Congress on October 28, 2007 and most recently revised and implemented on April 23, 2019. In accordance with the aforementioned legal provisions, within urban and town planning areas where the use rights of state-owned land are provided through transfer, the urban-rural planning departments of the urban and county people's government must determine the conditions such as the location, intended use and development intensity of the land parcels based on detailed plans before the transfer of state-owned land use rights. These conditions form part of the land transfer contract and land parcels without planning conditions cannot be transferred. For construction projects that acquire state-owned land use rights through transfer, the construction entity must, after obtaining approval, authorization, filing documentation for the construction project and signing the state-owned land use rights transfer contract, obtain a construction land planning permit from the urban-rural planning departments of the urban and county people's government. Planning departments are not permitted to arbitrarily change the planning conditions stipulated in the land transfer contract.

For construction of buildings, roads, pipelines and other engineering projects within urban and town planning areas, construction entities or individuals must apply for a construction project planning permit from corresponding government planning departments and submit documents proving the use of the land and the construction project design proposal. Projects that comply with planning will obtain the planning permit. Relevant government departments shall publish the overall layout of the approved detailed plan and construction project design proposal.

Construction Law of the People's Republic of China

The Construction Law of the People's Republic of China (《中華人民共和國建築法》) was first promulgated by the Standing Committee of the National People's Congress on November 1, 1997, and most recently revised and implemented on April 23, 2019. According to the Construction Law, before the commencement of construction work, the construction entity shall apply for a construction permit from the construction administrative department of the people's government at or above the county level where the project is located in accordance with relevant rules of the state, except for small-scale projects below the limit determined by the construction administrative department of the State Council. Construction projects approved for commencement according to the authority and procedures prescribed by the State Council are exempted from obtaining a construction permit. Construction entities should commence construction within three months from the date of receiving the construction permit. If the construction entity is unable to start construction as scheduled due to unforeseen circumstances, an application for an extension should be made to the issuing authority. The deadlines shall not be extended for more than two times and each extension shall not exceed three months. If construction does not commence without applying for an extension or exceeds the extension limit, the construction permit shall become void.

Administrative Measures for Construction Permits of Building Engineering

The Administrative Measures for Construction Permits of Building Engineering (《建築工程施工許可管理辦法》) were first issued by the former Ministry of Construction of the PRC in 1999, and were most recently revised and implemented by the Ministry of Housing and Urban-Rural Development of the PRC (hereinafter referred to as the **MOHURD**) on March 30, 2021. According to these measures, construction entities engaging in the construction and renovation of various types of buildings and their ancillary facilities, as well as the installation of corresponding lines, pipelines, and equipment and the construction of urban municipal infrastructure projects within the territory of the PRC, shall apply for a construction permit from the competent housing and urban-rural construction department of the local people's government at or above the county level where the project is located before commencing work.

Building projects with an investment of less than RMB300,000 or a construction area of less than 300 sq.m. may be exempt from applying for a construction permit. The department in charge of housing and urban-rural development under the people's government of provinces autonomous regions and municipalities directly under the central government may adjust the threshold according to local conditions and report to the Ministry of Housing and Urban-Rural Development of the State Council for record.

Construction projects approved for commencement in accordance with the authority and procedures prescribed by the State Council are exempt from obtaining a construction permit.

Regulations on Quality Management of Construction Projects

The Regulations on Quality Management of Construction Projects (《建設工程質量管理條例》) were first issued and implemented by the State Council on January 30, 2000, and most recently revised and implemented on April 23, 2019. According to these regulations, construction entities must contract their projects to entities with corresponding qualification. Construction entities shall not divide the construction project into parts for contracting. Construction entities must legally tender the survey, design, construction, supervision, and procurement of important equipment and materials related to construction projects.

Administrative Measures for the Record-filing of Completion Acceptance of Building Construction and Municipal Infrastructure Projects

The Administrative Measures for the Record-filing of Completion Acceptance of Building Construction and Municipal Infrastructure Projects (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》) were issued and implemented by the MOHURD on October 19, 2009. According to these measures, construction entities shall file with the construction department of the local people's government at or above the county level where the project is located (hereinafter referred to as the filing authority) within 15 days from the date of completion and qualified acceptance of the project, in accordance with these measures. The filing authority, upon receiving the record-filing documents of completion and acceptance submitted by the construction entity and verifying the completeness of the documents, shall sign for receipt on the record-filing form of completion and acceptance of the project. The quality supervision entity for the project shall submit a quality supervision report to the filing authority within 5 days from the date of completion and acceptance of the project.

Regulations on Completion Acceptance of Housing Construction and Municipal Infrastructure Projects

The Regulations on Completion Acceptance of Housing Construction and Municipal Infrastructure Projects (《房屋建築和市政基礎設施工程竣工驗收規定》) were promulgated and implemented by the MOHURD on December 2, 2013. Under these regulations, the construction entity is responsible for organizing and implementing the completion and acceptance of a project. Construction projects can proceed to completion and acceptance inspection only if they meet the following requirements: The project must complete all the contents stipulated in the design and contract. The construction entity must verify the quality of the project, ensure compliance with regulations and standards and submit a completion report. Supervision projects require a quality assessment report. Survey and design entities must review documents and design changes and issue a quality report. There must be complete technical records, construction management data, test reports and quality data for major building materials, components and equipment. The construction entity must make payments for the project, and the construction entity must provide a quality warranty. Residential projects must undergo individual household acceptance inspections and issue acceptance forms. All issues directed by the construction regulatory departments and quality supervision institutions must be rectified, fulfilling other conditions stipulated by laws and regulations.

Administrative Measures for the Granting and Transfer of Urban State-Owned Land Use Rights

The Administrative Measures for the Granting and Transfer of Urban State-Owned Land Use Rights (《城市國有土地使用權出讓轉讓規劃管理辦法》) were originally issued by the former Ministry of Construction on December 4, 1992, and subsequently revised on January 26, 2011, by the Decision on Abolishing and Amending Certain Regulations of the Ministry of Housing and Urban-Rural Development (《住房和城鄉建設部關於廢止和修改部分規章的決定》). According to these measures, contracts for the granting and transfer of urban state-owned land use rights must include planning and design conditions along with drawings. These conditions and drawings cannot be unilaterally altered by either the grantor or the grantee. Any necessary modifications during the granting and transfer process require approval from the urban planning administrative department. Grantees with a land grant contract are required to apply for a construction land planning permit from the urban planning administrative department in accordance with the law and can only apply for the land use right certificate after obtaining this permit.

PRC LAWS AND REGULATIONS ON INTELLECTUAL PROPERTY RIGHTS

Patent Law of the People's Republic of China and Detailed Rules for the Implementation of the Patent Law of the People's Republic of China

The Patent Law of the People's Republic of China (《中華人民共和國專利法》) was enacted by the Standing Committee of the National People's Congress on March 12, 1984, implemented on April 1, 1985, and most recently revised on October 17, 2020, with implementation from June 1, 2021. The Detailed Rules for the Implementation of the Patent Law of the People's Republic of China (《中華人民共和國專利法實施細則》) were issued by the State Council on June 15, 2001, implemented on July 1, 2001, and most recently revised on December 11, 2023, with implementation from January 20, 2024. According to these laws, regulations and detailed rules, patents in China are categorized into three types: invention patents, utility model patents and design patents. The term of an invention patent right is 20 years, the term of a utility model patent is 10 years, and the term of a design patent is 15 years, all of which are calculated from the filing date. Any entity or individual that exploits another's patent must conclude a licensing agreement with the patent holder and pay royalties. Exploiting a patent without the permission of the patent holder constitutes an infringement of their patent rights.

Trademark Law of the People's Republic of China and Regulations for the Implementation of the Trademark Law of the People's Republic of China

The Trademark Law of the People's Republic of China (《中華人民共和國商標法》) was promulgated by the Standing Committee of the National People's Congress on August 23, 1982, implemented on March 1, 1983, and most recently revised on April 23, 2019, with implementation from November 1, 2019. The Regulations for the Implementation of the Trademark Law of the People's Republic of China (《中華人民共和國商標法實施條例》) were issued by the State Council on August 3, 2002, implemented on September 15, 2002, and most recently revised on April 29, 2014, with implementation from May 1, 2014. According to these laws and regulations, the validity period of a registered trademark is 10 years from the date of approval. To continue using a trademark upon the expiry of its validity, renewal procedures must be completed in accordance with the provisions within the 12 months preceding expiration. If renewal procedures are not completed within this period, a six-month extension is allowed. Each renewal extends the validity period for 10 years, starting from the day following the expiration of the last validity period. Trademark registrants may authorize others to use their registered trademarks by signing trademark licensing agreements.

Regulations on the Protection of Layout-Designs of Integrated Circuits

The Regulations on the Protection of Layout-Designs of Integrated Circuits (《集成電路布圖設計保護條例》) were issued by the State Council on April 2, 2001, and implemented on October 1, 2001. According to these regulations, natural persons, legal persons or other organizations in China who create layout-designs have exclusive rights to their designs. Foreign persons whose layout-designs are first commercially exploited within the territory of China are also entitled to exclusive rights to their designs. The protection term for the exclusive right of a layout-design is 10 years, calculated from the date of the design registration application or the first date of commercial use anywhere in the world, whichever is earlier. However, a layout-design is no longer protected under these regulations 15 years after its creation, regardless of registration or commercial use.

Internet Domain Name Management Measures

The Internet Domain Name Management Measures (《互聯網域名管理辦法》) were issued by the MIIT on August 24, 2017, and implemented on November 1, 2017. According to these management measures, the MIIT is the primary regulatory authority for the management of Internet domain names in China. Domain name registration is processed through domain name root servers and their operating institutions, domain name registration management institutions and domain name registration service institutions established in accordance with the relevant regulations.

PRC LAWS AND REGULATIONS ON FOREIGN EXCHANGE

Foreign Exchange Administration Regulations of the People's Republic of China

The Foreign Exchange Administration Regulations of the People's Republic of China (《中華人民共和國外匯管理條例》) were issued by the State Council on January 29, 1996, implemented on April 1, 1996, and most recently revised and implemented on August 5, 2008. According to these regulations, Renminbi can generally be freely exchanged for current account transactions, such as foreign exchange transactions related to trade and services and dividend payments. However, free exchange for capital account transactions, including capital transfers, direct investments, securities investments, derivatives or loans, are not permitted unless prior approval is obtained from the foreign exchange administration authorities.

Regulations on Foreign Exchange Settlement, Sales and Payment and Notice on Reforming the Foreign Exchange Capital Settlement Management for Foreign-Invested Enterprises

The Regulations on Foreign Exchange Settlement, Sales, and Payment (《結匯、售匯及付匯管理規定》) were issued by the People's Bank of China on June 20, 1996, and implemented on July 1, 1996. The Notice on Reforming the Foreign Exchange Capital Settlement Management for Foreign-Invested Enterprises (《關於改革外商投資企業外匯資本金結匯管理方式的通知》) was issued by the State Administration of Foreign Exchange (SAFE) on March 30, 2015. The Notice on Abolishing and Voiding 5 Foreign Exchange Management Normative Documents and 7 Clauses of Foreign Exchange Management Normative Documents (《國家外匯管理局關於廢止和失效5件外匯管理規範性文件及7件外匯管理規範性文件條款的通知》) issued and implemented on December 30, 2019, repealed the provision in Article 6 stating "Foreign exchange funds in the special deposit accounts for inward remittances from abroad and inward transfers within the country shall not be settled and used" has been abolished. The Notice on Abolishing and Voiding 15 Foreign Exchange Management Normative Documents and Adjusting 14 Clauses of Foreign Exchange Management Normative Documents (《國家外匯管理局關於廢止和失效15件外匯管理規範性文件及調整14件外匯管理規範性文件條款的通知》) issued and implemented on March 23, 2023, deleted the content under item (1) of Article 7: "For banks that seriously and maliciously violate regulations, their foreign exchange transactions under capital accounts may be suspended according to relevant procedures. For foreign-invested enterprises and others that seriously and maliciously violate regulations, their eligibility for voluntary foreign exchange settlement may be revoked. Furthermore, until they submit a written explanation and make corresponding rectifications, other foreign exchange transactions under capital accounts shall not be processed for them."

According to these regulations, domestic institutions must open foreign exchange accounts with banks authorized to conduct foreign exchange business in their registration area and handle foreign exchange settlement, purchase and payment according to these regulations. Domestic institutions opening foreign exchange accounts in different locations or abroad must apply to SAFE. Foreign-invested enterprises can open foreign exchange settlement accounts with banks authorized to conduct foreign exchange business in their registration area for foreign exchange income under current accounts with approval.

Notice of the SAFE on Optimizing Foreign Exchange Administration to Support the Development of Foreign-Related Businesses

The Notice of the SAFE on Optimizing Foreign Exchange Administration to Support the Development of Foreign-Related Businesses (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》) was issued and implemented by SAFE on April 10, 2020. According to this notice, enterprises meeting certain conditions are permitted to use income under the capital accounts, including capital funds, foreign debts and overseas listing proceeds, for domestic payments without needing to provide proof of authenticity to banks in advance, as long as the fund usage is genuine, compliant and in accordance with current capital account income management regulations. Handling banks shall manage and control relevant business risks following the principle of prudent operation and conduct post-hoc spot checks afterwards on the payment facilitation business for income under the capital account handled by them according to relevant requirements.

Notice of the SAFE on Further Simplifying and Improving the Foreign Exchange Management Policy for Direct Investment

The Notice of the SAFE on Further Simplifying and Improving the Foreign Exchange Management Policy for Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) was issued by SAFE on February 13, 2015 and implemented on June 1, 2015, which was partially repealed by the Notice on Abolishing and Voiding 5 Foreign Exchange Management Normative Documents and 7 Clauses of Foreign Exchange Management Normative Documents (《國家外匯管理局關於廢止和失效5件外匯管理規範性文件及7件外匯管理規範性文件條款的通知》) issued and implemented on December 30, 2019. As per this notice, banks directly review and handle foreign exchange registration under domestic direct investment and foreign direct investment, while SAFE and its branches exercise indirect supervision over foreign exchange registration for direct investments through banks.

PRC LAWS AND REGULATIONS ON ENVIRONMENTAL PROTECTION

Environmental Protection Law of the People's Republic of China and Environmental Impact Assessment Law of the People's Republic of China

The Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) was promulgated by the Standing Committee of the National People's Congress on September 13, 1979, implemented on the same date, and most recently revised on April 24, 2014, with implementation from January 1, 2015. The Environmental Impact Assessment Law of the People's Republic of China (《中華人民共和國環境影響評價法》) was issued by the Standing Committee of the National People's Congress on October 28, 2002, implemented on September 1, 2003, and most recently revised and implemented on December 29, 2018. According to these laws, the state implements classified management of environmental impact assessments for construction projects. Construction entities are responsible for the content and conclusions of the environmental impact assessment documents of their projects. Construction entities cannot commence construction for projects without lawful review and approval by the relevant authorities.

Regulations on Classified Approval of Environmental Impact Assessment Documents for Construction Projects

The Regulations on Classified Approval of Environmental Impact Assessment Documents for Construction Projects (《建設項目環境影響評價文件分級審批規定》) were initially issued by the former State Environmental Protection Administration on November 1, 2002, and most recently revised on January 16, 2009 and implemented on March 1, 2009. As per these regulations, for the construction of projects that have an impact on the environment, regardless of the investment entity, source of funds, project nature and investment scale, the classified approval authority shall be determined based on the environmental impact assessment document. Environmental protection departments at all levels are responsible for the approval of construction project environmental impact assessment documents. The classified approval authority of the environmental impact assessment documents of the construction project shall, in principle, be determined in accordance with the approval, ratification and filing authority of the construction project and the nature and degree of the impact of the construction project on the environment.

Regulations on the Management of Pollutant Discharge Permits and Catalogue for the Classified Management of Fixed Pollution Source Discharge Permits (2019 Edition)

According to the Regulations on the Management of Pollutant Discharge Permits (《排污許可管理條例》) issued by the State Council on January 24, 2021, and implemented on March 1, 2021, and the Catalogue for the Classified Management of Fixed Pollution Source Discharge Permits (2019 Edition) (《固定污染源排污許可分類管理名錄(2019年版)》) issued and implemented by the Ministry of Ecology and Environment on December 20, 2019, enterprises, institutions and other manufacturers subject to pollutant discharge permit management as stipulated by law must apply for and obtain a pollutant discharge permit. Without this permit, discharging pollutants is prohibited. Pollutant discharging entities with a significant volume of pollutant generation, emissions or environmental impact are subject to key management of pollutant discharge permits. Those with a smaller volume of pollutant generation, emissions and environmental impact are subject to simplified management. Entities with minimal pollutant generation, emissions and environmental impact are subject to pollutant discharge registration management.

PRC LAWS AND REGULATIONS ON PRODUCTION SAFETY

Work Safety Law of the People's Republic of China

The Work Safety Law of the People's Republic of China (《中華人民共和國安全生產法》) was enacted by the Standing Committee of the National People's Congress on June 29, 2002, most recently revised and issued on June 10, 2021, and implemented on September 1, 2021. According to the Work Safety Law, production and business operation entities must meet the safety production conditions stipulated by this law, relevant laws, administrative regulations, national standards or industry standards. Entities that do not meet conditions for safe production shall not engage in production and business operations.

Regulations on the Safety Facilities of Construction Projects "Three Simultaneities" Supervision and Management

In accordance with the Regulations on the Safety Facilities of Construction Projects "Three Simultaneities" Supervision and Management (《建設項目安全設施"三同時"監督管理辦法》), issued by the former State Administration of Work Safety on April 2, 2015, and implemented on May 1, 2015, safety facilities of new construction, reconstruction and expansion projects must be designed, constructed and put into operation and use simultaneously with the main project. Enterprises are required to conduct safety pre-evaluations for construction projects, entrust preliminarily designed entities with the corresponding qualifications to design the safety facilities simultaneously, prepare safety facility designs, submit them to relevant production safety supervision and management departments for review applications and apply for the acceptance inspection of safety facilities upon completion.

Fire Protection Law of the People's Republic of China and Interim Regulations on Fire Protection Design Review and Acceptance Management of Construction Projects

The Fire Protection Law of the People's Republic of China (《中華人民共和國消防法》) was first enacted by the Standing Committee of the National People's Congress on April 29, 1998, implemented on September 1, 1998, and most recently revised and implemented on April 29, 2021. The Interim Regulations on Fire Protection Design Review and Acceptance Management of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) were first issued by the MOHURD on April 1, 2020, most recently revised on August 21, 2023, and implemented from October 30, 2023.

In accordance with the aforementioned laws and regulations, for construction projects that are required to undergo fire safety acceptance inspections as stipulated by the State Council's housing and urban-rural development authorities, the construction entity must apply for a fire safety acceptance inspection with the housing and urban-rural development authorities. For other construction projects not specified in the previous provision, the construction entity must report to the housing and urban-rural development authorities for filing after the acceptance inspection. Construction projects that are legally required to undergo a fire safety acceptance inspection must not be put into use if they have not undergone such an inspection or if they fail the inspection.

PRC LAWS AND REGULATIONS ON PRODUCT QUALITY

The Product Quality Law of the People's Republic of China

As per the Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》) enacted by the Standing Committee of the National People's Congress on February 22, 1993, and most recently amended and implemented on December 29, 2018, producers shall be responsible for the quality of their products. The product quality shall meet the following requirements: (i) no unreasonable dangers endangering the safety of persons and property; where there are national or industry standards ensuring the health and safety of persons and property, such standards must be complied with; (ii) the product shall possess the properties it is supposed to possess, except where the product's flaws in their properties are explicitly stated; and (iii) the product shall comply with the product standards stated on the product or its packaging, and meet the quality conditions as represented in product descriptions, physical samples, etc.

PRC LAWS AND REGULATIONS ON CYBERSECURITY AND DATA SECURITY

Data Security Law of the People's Republic of China and the Measures for Security Assessment of Cross-Border Data Transfer

The Data Security Law of the People's Republic of China (《中華人民共和國數據安全法》) was promulgated by the Standing Committee of the National People's Congress on June 10, 2021, and implemented on September 1, 2021. The Measures for Security Assessment of Cross-Border Data Transfer (《數據出境安全評估辦法》) were issued by the Cyberspace Administration of China on July 7, 2022 and implemented on September 1, 2022. According to these laws and measures, data processors providing data to overseas parties must declare a security assessment for cross-border data transfer to the national cyberspace administration through the local provincial cyberspace administration under any of the following circumstances: (i) where a data processor provides critical data abroad; (ii) where a critical information infrastructure operator or a data processor processing the personal information of more than one million people provides personal information abroad; (iii) where a data processor has provided personal information of 100,000 people or sensitive personal information of 10,000 people in total abroad since January 1 of the previous year; and (iv) other circumstances stipulated by the national cyberspace administration for which a declaration for security assessment of cross-border data transfer is required.

The Cybersecurity Law of the People's Republic of China, Regulations on the Security Protection of Critical Information Infrastructure and Cybersecurity Review Measures

The Cybersecurity Law of the People's Republic of China (《中華人民共和國網絡安全法》) was promulgated by the Standing Committee of the National People's Congress on November 7, 2016, and implemented on June 1, 2017. The Regulations on the Security Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》) were issued by the State Council on July 30, 2021, and implemented on September 1, 2021. The Cybersecurity Review Measures (《網絡安全審查辦法》) were deliberated and adopted by the Cyberspace Administration of China on November 16, 2021, agreed upon by the NDRC, the MIIT, the Ministry of Public Security, the Ministry of State Security, the Ministry of Finance, the MOFCOM, the People's Bank of China, the State Administration for Market Regulation, the National Radio and Television Administration, the CSRC, the National Administration of State Secrets Protection and the State Cryptography Administration, and implemented on February 15, 2022. According to these laws, regulations and measures, the state implements a graded cybersecurity protection system. Network operators must fulfill their security protection obligations in accordance with the requirements of the graded cybersecurity protection system, ensuring the network is free from interference, destruction or unauthorized access, and preventing network data leakage, theft or tampering. For critical information infrastructure, in addition to the graded cybersecurity protection system, focused protection is implemented. Operators of critical information infrastructure purchasing network products and services and network platform operators engaging in data processing activities that affect or may affect national security, must undergo a cybersecurity review.

PRC LAWS AND REGULATIONS ON THE IMPORT AND EXPORT OF GOODS

Foreign Trade Law of the People's Republic of China and the Measures for the Filing and Registration of Foreign Trade Operators

The Foreign Trade Law of the People's Republic of China (《中華人民共和國對外貿易法》) was promulgated by the Standing Committee of the National People's Congress on May 12, 1994, implemented on July 1, 1994, and most recently issued and implemented on December 30, 2022, and the Measures for the Filing and Registration of Foreign Trade Operators (《對外貿易經營者備案登記辦法》) were issued by the MOFCOM on June 25, 2004, implemented on July 1, 2004, and most recently issued and implemented on May 10, 2021. As per these laws, regulations and measures, the state permits the free import and export of goods and technology.

Regulations on the Administration of the Filing of Customs Declaration Entities of the People's Republic of China

The Regulations on the Administration of the Filing of Customs Declaration Entities of the People's Republic of China (《中華人民共和國海關報關單位備案管理規定》) were promulgated by the General Administration of Customs on November 19, 2021, and implemented on January 1, 2022. According to these regulations, consignees and consignors of import and export goods and customs declaration enterprises shall obtain the qualifications of market entities if they apply for filing.

The Regulations on the Administration of the Import and Export of Goods of the People's Republic of China

In accordance with the Regulations on the Administration of the Import and Export of Goods of the People's Republic of China (《中華人民共和國貨物進出口管理條例》) issued by the State Council on December 10, 2001, implemented on January 1, 2002, and most recently revised on March 10, 2024 and implemented on May 1, 2024, goods that are prohibited from being imported are not allowed to be imported, and goods that are prohibited from export are not allowed to be exported. A system of quota administration shall be implemented for goods subject to import and export restrictions where the state has stipulated that these goods shall be subject to quantity restrictions. A system of licence administration shall be implemented for all other goods subject to import and export restrictions. The import or export of goods that are free for import or export shall not be restricted.

The Import and Export Commodity Inspection Law of the People's Republic of China and the Implementation Regulations of the Import and Export Commodity Inspection Law of the People's Republic of China

According to The Import and Export Commodity Inspection Law of the People's Republic of China (《中華人民共和國進出口商品檢驗法》) promulgated by the Standing Committee of the National People's Congress on February 21, 1989, and most recently revised and implemented on April 29, 2021, and the Implementation Regulations of the Import and Export Commodity Inspection Law of the People's Republic of China (《中華人民共和國進出口商品檢驗法實施條例》) issued by the former State Bureau of Import and Export Commodity Inspection on October 23, 1992 and most recently amended on March 29, 2022 and implemented on May 1, 2022 by the State Council, consignees or consignors of import and export commodities may handle inspection procedures themselves or entrust an agent inspection application enterprise to do so. When consignees or consignors of import and export commodities handle inspection procedures, they must file with the entry-exit inspection and quarantine authorities in accordance with the law.

OVERVIEW

The history of our business could date back to February 2003, when Mr. Chan and Mr. Xiao, together with researchers associated with The Hong Kong University of Science and Technology, started the business of development of LED chips and products through Advanced Photoelectronic in Hong Kong. Our Company was established by Advanced Photoelectronic in Guangzhou, the PRC, in August 2006, and gradually integrated and consolidated the business operations of Advanced Photoelectronic. Leveraging our proprietary technologies and advanced R&D capabilities, we have since expanded our business to intelligent automotive vision, high-end lighting and advanced display, and design, develop, produce and sell a wide range of LED intelligent vision products and system solutions. Over the years, we have developed into a leading enterprise in China providing intelligent vision products and systems integrating "LED+" technologies. According to CIC, in terms of revenue in 2023, we ranked third among domestic device and module manufacturers and fifth among all manufacturers in China's high-end lighting industry. We ranked fifth among domestic manufacturers and twelfth among all manufacturers in China's mid- to high-end intelligent automotive vision industry. We ranked fourth among domestic and all manufacturers in China's LCD TV backlight display industry.

OUR MILESTONES

The following is a summary of our Group's key business development milestones:

2003	Mr. Chan and Mr. Xiao co-founded Advanced Photoelectronic at The Hong Kong University of Science and Technology, and started the business of development of LED chips and products. Our business commenced.
2006	Our Company was established by Advanced Photoelectronic in Guangzhou, Guangdong Province, the PRC.
	Completed the R&D of flip-chip blue LED chips and submitted the application for invention patent.
2009	Obtained ISO9001 and ISO14001 certifications.
2010	Our 1W high-power flip-chip LED chip product was accredited as Indigenous Innovation Product by Department of Science and Technology of Guangdong Province (廣東省科學技術廳) jointly with other governmental departments.

Ranked among the 2010-2011 Top 500 Project in Modern Industry (廣東省現代產業500強項目) by Department of Science and Technology of Guangdong Province jointly with other governmental departments.

2011 The construction of our Nansha LED industry base was completed, and we entered the supply chain of TCL.

Awarded the "Technological Achievement Award of the 2011 Hong Kong Awards for Industries" by Hong Kong Science & Technology Parks and ranked among the Top 100 Growing Small and Medium-sized Enterprise (中國中小企業成長力100強企業) by China Association for the Promotion of Business Cooperation (中國企業合作促進會) and Organizing Committee of China Enterprise International Cooperation Annual Conference (中國企業國際合作年會組織委員會).

Recognized as a national high-tech enterprise.

Named as the Fostered Enterprise in Strategic Emerging Industries (廣東省戰略性新興產業培育企業) by The Economic and Information Commission of Guangdong Province (廣東省經濟和信息化委員會) (GDEIC).

2012 Awarded the 2012 China Industry Award by SEMI.

Named as the OFweek2012 LED Industry Most Innovative Brand by GDEIC.

High-power LED devices based on ceramic-based flip-chip structure commenced mass production.

2013 Named as the Key Enterprise in Strategic Emerging Industries (廣東省戰略性新興產業骨幹企業) by GDEIC.

2014 Entered the supply chain of Philips Lighting, and our Company was named as the Leading Technology Enterprise in the Third LED Industry Ranking (第三屆LED行業風雲榜技術領軍企業).

2015 Won the Second Prize of the Guangdong Province Science and Technology Award issued by the Guangdong government.

Our engineering technology research center of LED chip devices and lighting modules was accredited as the Guangdong provincial engineering technology research center.

2016 Entered the supply chain of Samsung.

Ranked among the Top 10 in International Competitiveness of China LED Packaging Enterprises (中國LED封裝企業國際競爭力TOP10) by the LED International Cooperation Promotion Association.

2017	Obtained IATF16949 certification.
	Our laboratory was certified by CNAS.
	Named as the Top 30 NEEQ Enterprise (新三板30強企業) in the Fourth China LED Convention Award (中國LED首創獎), and won the Innovation Award in the 2017 Guangdong Economic Ranking (2017廣東年度經濟風雲榜).
2018	Established Linlux and jointly established Lynway Vision with Geely.
	Entered the supply chain of Hisense.
	Ranked among “Guangzhou Forty Years, Forty Brands” Quality Brand Enterprises (廣州市“四十年 • 四十品”質量品牌企業) by the Guangzhou Municipal Quality Strong City Work Leadership Group Office (廣州市質量強市工作領導小組辦公室).
2019	Commenced mass production of our automotive-grade LED devices.
	Received the Supplier Excellence Recognition from Signify (formerly known as Philips Lighting) and awarded the Outstanding Prize in the Sixth China LED Convention Award by China Illuminating Engineering Society.
2020	Ranked among the Top 15 Intellectual Properties Enterprises in the Seventh China LED Convention Award by China Illuminating Engineering Society (中國照明學會).
2021	Our automotive-grade LED products entered the supply chain of Geely, GAC and Changan Auto, and our Linlux production base and the Lynway Ningbo production base commenced operation.
	Commenced mass production of our Mini LED product and our first automotive lamp product.

	Won the High Quality Development Award in China Lighting Industry (中國照明行業高質量發展獎), the 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), and the Bright Award — 2021 Top 10 Packaging Brand in China Lighting Industry (光明獎 — 2021年度中國照明燈飾行業十大封裝品牌).
2022	The annual product shipment of our automotive-grade LED device products exceeded 200 million pieces, and we expanded our production capacity of Mini LED to meet the annual demand of 300,000 Mini LED backlit TVs (converted to 55-inch TVs).
	Ranked among the 2022 Top 10 Outstanding Enterprises in China Bio-Light Industry by Shenzhen Facility Agriculture Association.
2023	Recognized as the Technologically Advanced Small and Medium-sized Enterprises (專精特新中小企業) by Department of Industry and Information Technology of Guangdong Province, and awarded the Excellence and Innovation Award by Guangzhou Semiconductor Industry Association.
2024	Won the Top 10 Health Lighting Brands (十大健康照明品牌) by Guangdong Illuminating Engineering Society (廣東省照明學會).
	As of May 31, 2024, our standardized headlamp lens module series had been installed and applied to more than 290,000 vehicles.

OUR MAJOR SUBSIDIARIES

As of the Latest Practicable Date, we had five wholly-owned subsidiaries. The following sets forth information about our subsidiaries that have made a material contribution to our operating results during the Track Record Period:

Linlux

Linlux was established with limited liability in the PRC on October 9, 2018. Since its establishment and up to the Latest Practicable Date, Linlux had been wholly owned by our Company. Linlux is primarily engaged in the design, R&D, production and sales of LED modules for our intelligent automotive vision, high-end lighting, and advanced display businesses.

Lynway Vision

Lynway Vision was established with limited liability in the PRC on October 26, 2018. Upon establishment, Lynway Vision was owned as to (i) 49% by our Company and (ii) 51% by Zhejiang Geely Automobile Parts & Components Stock Co., Ltd. (浙江吉利汽車零部件採購有限公司), a company controlled by Geely Holding, while such interest was transferred to Yaoning Technology in December 2020.

In September 2021, our Company subscribed for the increased registered capital of Lynway Vision. As a result, Lynway Vision became owned as to 51% by our Company and 49% by Yaoning Technology and hence became a non-wholly owned subsidiary of our Company. In December 2023, our Company acquired the entire interest held by Yaoning Technology in Lynway Vision, and Lynway Vision became a wholly-owned subsidiary of our Company. See "— Major Acquisitions, Disposals and Mergers" below for details of our acquisition of Lynway Vision.

Lynway Vision is primarily engaged in the design, R&D, production and sales of intelligent automotive vision products.

CORPORATE DEVELOPMENT

The following sets forth the corporate history and shareholding changes of our Company.

Establishment and Initial Investments

On August 30, 2006, our Company was established as a wholly foreign-owned enterprise under the laws of PRC by Advanced Photoelectronic with a registered capital of HKD7,000,000.

After a series of shareholding changes and registered capital increases, our Company became owned as to approximately 97.58% by Advanced Photoelectronic and 2.42% by Jiangyin Haohan Photoelectric Technology Co., Ltd. (江陰浩瀚光電科技有限公司) ("**Haohan Photoelectronic**") with a registered capital of USD27,000,000 as of January 2012.

In June 2014, the registered capital of our Company was increased in the amount of USD7,363,648.86, among which (i) USD3,681,824.43 was subscribed for by Guangdong Yueke Finance Investment Co., Ltd. (廣東省粵科財政股權投資有限公司) ("**Yueke Investment**") at a consideration of RMB46,000,000, and (ii) USD3,681,824.43 was subscribed for by Advanced Photoelectronic at a consideration of USD7,500,000. The consideration was determined with reference to the valuation of our Company agreed between the parties after arms' length negotiations.

In August 2015, the registered capital of our Company was increased in the amount of USD9,112,100, among which (i) USD1,596,400 was subscribed for by Shenzhen Guomin Innovation Venture Capital (L.P.) (深圳市國民創新創業投資企業(有限合夥)) ("**Publics Venture Capital**") at a consideration of RMB20,000,000, (ii) USD726,400 was subscribed for by Episky Corporation (Xiamen) Ltd. (晶宇光電(廈門)有限公司) ("**Episky**") at a consideration of RMB9,100,000, and (iii) USD6,789,300 was subscribed for by Advanced Photoelectronic at a consideration of USD13,830,000. The consideration was determined with reference to the valuation of our Company agreed between the parties after arms' length negotiations.

Upon completion of the above shareholding changes and registered capital increases, as of August 31, 2015, our registered capital was increased to USD43,475,748.86, and the then shareholding structure of our Company is set forth in the table below:

Shareholder	Registered capital subscribed for	Percentage of shareholding
	(USD)	*(approximate)*
Advanced Photoelectronic	36,818,124.43	84.69%
Yueke Investment(1)	3,681,824.43	8.47%
Publics Venture Capital(2)	1,596,400.00	3.67%
Episky(3)	726,400.00	1.67%
Haohan Photoelectric(4)	653,000.00	1.50%
Total	**43,475,748.86**	**100%**

Notes:

(1) Yueke Investment is a limited liability company established in the PRC. As of the Latest Practicable Date, it was wholly owned by Guangdong Technology Financial Group Co., Ltd. (廣東省粵科金融集團有限公司) ("**Yueke Group**"), which was in turn owned as to 90% and 10% by the People's Government of Guangdong Province (廣東省人民政府) and the Department of Finance of Guangdong Province (廣東省財政廳), respectively. In connection with its investment in our Company, Yueke Investment had been granted certain special rights including, among others, pre-emptive right, information right, liquidation preference right and redemption right, all of which have terminated by November 2019 prior to our submission of application for listing on STAR.

(2) Publics Venture Capital is a limited partnership established in the PRC, the general partner of which is Mr. YE Zhixiong (葉志雄), an Independent Third Party. As of the Latest Practicable Date, it was owned as to (i) 0.5% by Mr. YE Zhixiong, and (ii) 49.5% by Mr. YE Zhiyu (葉志宇) and 50% by Ningbo Meishan Bonded Area Jiamu Ronghe Investment Partnership (Limited Partnership) (寧波梅山保稅港區嘉木融合投資合夥企業(有限合夥)) ("**Jiamu Ronghe**"), both as limited partners and Independent Third Parties. In July 2023, Publics Venture Capital transferred the Shares it held to each of Mr. YE Zhixiong, Mr. YE Zhiyu and Jiamu Ronghe at a total consideration of RMB40,000,001.9, in proportion to their respective interest in Publics Venture Capital. To the best of our Company's knowledge, the consideration was determined with reference to the investment cost of Publics Venture Capital and taking into account that the transferees are partners of Publics Venture Capital.

(3) Episky is a limited liability company established in the PRC. As of the Latest Practicable Date, it was indirectly wholly owned by Epistar Corporation, a minority shareholder of Advanced Photoelectronic and an Independent Third Party.

(4) Haohan Photoelectronic is a limited liability company established in the PRC and an Independent Third Party. As of the Latest Practicable Date, it was owned as to 90% and 10% by two individual shareholders respectively, both Independent Third Parties.

Conversion into a Joint Stock Limited Company

In preparation of our application for listing on the NEEQ, on December 3, 2015, our Company was converted from a limited liability company into a joint stock limited company, and our Company was renamed as APT Electronics Co., Ltd. (廣東晶科電子股份有限公司). Upon completion of the conversion, the share capital of our Company became RMB280,000,000 divided into 280,000,000 Shares with a nominal value of RMB1.00 each, and the then shareholding structure of our Company is set forth in the table below:

Shareholder	Number of Shares	Percentage of shareholding
		(approximate)
Advanced Photoelectronic	237,122,480	84.69%
Yueke Investment	23,712,360	8.47%
Publics Venture Capital	10,281,320	3.67%
Episky	4,678,240	1.67%
Haohan Photoelectric	4,205,600	1.50%
Total	**280,000,000**	**100%**

Prior Listing on the NEEQ and the Delisting

On April 29, 2016, our Shares became quoted and listed on the NEEQ under the stock code of 836789. During our listing on the NEEQ, our Company has undertaken a series of shareholding changes as detailed below:

Share allotments and financings in 2016 and 2018

In June 2016 and January 2018, we concluded two rounds of financings through share allotments as detailed below. As a result, our share capital was increased to RMB397,390,438.

Subscriber	Shares subscribed for	Consideration[1]
		(RMB)
Share allotment in 2016		
Zhongbao Industrial Investment Co., Ltd. (中保產業投資有限公司) ("**Zhongbao Industrial**")[2]	10,000,000	23,000,000.0
Publics Venture Capital	8,695,653	20,000,001.9
Guangdong Technology Venture Capital Co., Ltd. (廣東省科技風險投資有限公司) ("**Guangdong Technology VC**")[2]	8,695,653	20,000,001.9
Xi'an Xijiao Science Innovation Equity Investment Partnership (Limited Partnership) (西安西交科創股權投資合夥企業(有限合夥)) ("**Xijiao Science Innovation**")[2]	4,347,827	10,000,002.1
Xinyu Guanmaoyuan Investment Management Center (Limited Partnership) (新餘官茂原投資管理中心(有限合夥)) ("**Guanmaoyuan**")[2]	3,351,304	7,707,999.2
Advanced Photoelectronic	2,173,914	5,000,002.2
Beijing Dehang Jiye Technology Co., Ltd. (北京德夯基業科技有限公司) ("**Dehang Jiye**")[2][3]	1,826,087	4,200,000.1
Share allotment in 2018		
Xinyu Dingdekai Investment Management Center (Limited Partnership) (新餘鼎德凱投資管理中心(有限合夥)) ("**Dingdekai**")[2]	18,800,000	50,760,000
Beijing Guangrong Lianmeng Semiconductor Lighting Industry Investment Center (L.P.) (北京光榮聯盟半導體照明產業投資中心(有限合夥)) ("**Guangrong Lianmeng**")[2]	12,000,000	32,400,000
Shenzhen Dongyi Investment Management Co., Ltd. (深圳市東屹投資管理有限公司) ("**Dongyi Fund**")[2]	10,000,000	27,000,000
FAN Wuzhou (樊五洲)[2]	9,000,000	24,300,000
Guangdong SME Equity Investment Fund Limited (廣東中小企業股權投資基金有限公司) ("**SME Fund**")[2]	7,790,000	21,033,000
Xijiao Science Innovation	5,000,000	13,500,000
GAO Tao[4]	5,000,000	13,500,000
GUI Fan[2]	3,000,000	8,100,000
ZHOU Baiyun[5]	2,200,000	5,940,000
HE Jinchun[2]	2,000,000	5,400,000
WANG Qi[2]	2,000,000	5,400,000
WANG Hongying[6]	1,300,000	3,510,000
Zhuhai Hengqin Yixingbanyue Investment Partnership (L.P.) (珠海橫琴依星伴月投資合夥企業(有限合夥)) ("**Yixingbanyue**")[2]	210,000	567,000
Total	**117,390,438**	**301,318,007.4**

Notes:

(1) The consideration was determined in accordance with the applicable laws and regulatory requirements, after negotiations with the relevant investors taking into account various factors such as the industry where our Company operates, the growth of our business, the net asset value and earning per share.

(2) To the best of our Company's knowledge, such investors are Independent Third Parties.

(3) Subsequently in January 2018, Dehang Jiye transferred 1,826,087 Shares, representing the entire interest it held in our Company, to LAI Canwei (賴燦偉), an Independent Third Party. To the best of our knowledge, LAI Canwei was a controlling shareholder of Dehang Jiye at that time.

(4) Ms. GAO Tao is the spouse of Mr. HOU Yu, the president of our Company, the general manager of Linlux and the supervisor of Lynway Vision (Guangzhou).

(5) Ms. ZHOU Baiyun is our vice president and financial controller and supervisor of Lynway Vision.

(6) Ms. WANG Hongying is the spouse of Mr. ZENG Zhaoming, our vice president.

Delisting in 2019

With a view to the adjustment of our development strategy, and in preparation for the application of the listing of our Shares on the Science and Technology Innovation Board of the Shanghai Stock Exchange ("**STAR**"), we sought to voluntarily delist from the NEEQ in February 2019.

Our Directors confirm that, to the best of their knowledge and in respect of our business: (a) during the period of listing on the NEEQ, (i) our Company had been in compliance in all material respects with the applicable PRC securities laws and regulations and rules; (ii) our Company had not been subject to any disciplinary action by relevant PRC regulators; and (b) there were no matters in relation to our Company's prior listing on the NEEQ and delisting that need to be brought to the attention of the Stock Exchange and the investors. The Sole Sponsor concurs the view of the Directors that there were no matters in relation to the Company's prior listing on the NEEQ and delisting that need to be brought to the attention of the Stock Exchange and the investors.

The shareholding structure of our Company immediately after delisting from the NEEQ is set out as follows:

Shareholder	Number of Shares	Percentage of shareholding
		(approximate)
Advanced Photoelectronic	239,296,394	60.22%
Yueke Investment	23,712,360	5.97%
Publics Venture Capital	18,976,973	4.78%
Dingdekai	18,800,000	4.73%
Guangrong Lianmeng	12,000,000	3.02%
Dongyi Fund	10,000,000	2.52%
Zhongbao Industrial	10,000,000	2.52%
Xijiao Science Innovation	9,347,827	2.35%
FAN Wuzhou	9,000,000	2.26%
Guangdong Technology VC	8,695,653	2.19%
SME Fund	7,790,000	1.96%
GAO Tao	5,000,000	1.26%
Episky	4,678,240	1.18%
Haohan Photoelectronic	4,205,600	1.06%
Guanmaoyuan	3,351,304	0.84%
GUI Fan	3,000,000	0.75%
ZHOU Baiyun	2,200,000	0.55%
WANG Qi	2,000,000	0.50%
HE Jinchun	2,000,000	0.50%
LAI Canwei	1,826,087	0.46%
WANG Hongying	1,300,000	0.33%
Yixingbanyue	210,000	0.05%
	397,390,438	**100%**

Subsequent Capital Increase and Share Transfers

In June 2019, Jingyu Investment subscribed for 14,105,000 Shares at a consideration of RMB26,094,250. As a result, the total number of issued shares of our Company was increased to 411,495,438 Shares with a nominal value of RMB1.00 each. Jingyu Investment is one of our employee shareholding platforms and is controlled by Mr. Xiao as the general partner. As of the Latest Practicable Date, it was owned as to approximately (i) 27.79% by Mr. Xiao, (ii) 12.76% by HOU Yu (侯宇), the president of our Company, the general manager of Linlux and the supervisor of Lynway Vision (Guangzhou), (iii) 11.27% by ZENG Zhaoming (曾照明), vice president of our Company, (iv) 10.99% by ZHOU Baiyun (周白雲), vice president and financial controller of our Company and supervisor of Lynway Vision, (v) 3.83% by OU Weineng (區偉能), a Supervisor of our Company, and (vi) 33.36% by 28 limited partners, each an employee of our Group and an Independent Third Party holding less than 5% therein.

In June 2019 and subsequent to our voluntary withdrawal of the STAR Application in May 2020 (as detailed below). The following share transfers were effected among our then Shareholders:

Transferor	Transferee	Shares transferred	Consideration
			(RMB)
Transfers in June 2019[1]			
Advanced Photoelectronic .	Guangdong Zhongke Baiyun Emerging Industry Venture Capital Fund Co., Ltd. (廣東中科白雲新興產業創業投資基金有限公司) (“**Zhongke Baiyun**”)[2]	9,939,275	29,817,825
Advanced Photoelectronic .	Ningbo Fengyan Equity Investment Partnership (L.P.) (寧波豐衍股權投資合夥企業(有限合夥)) (“**Fengyan Investment**”)[3]	1,000,000	3,000,000
Transfers in June 2021			
Dongyi Fund	Shenzhen Gossel Investment Co., Ltd. (深圳市高塞爾投資有限公司) (“**Gossel**”)[4]	8,000,000	24,000,000
Dongyi Fund	Shenzhen Hengzhouxin Investment Co., Ltd. (深圳市恒洲信投資有限公司) (“**Hengzhouxin**”)[5]	2,000,000	6,000,000
Transfers in 2021			
Advanced Photoelectronic .	Guangzhou Yuecai Yuanhe Venture Capital Partnership (Limited Partnership) (廣州粵財源合創業投資合夥企業(有限合夥)) (“**Yuecai Yuanhe**”)[4]	7,700,000	23,100,000
Advanced Photoelectronic .	Guangdong Yuecai Emerging Industry Equity Investment Fund Partnership (L.P.) (廣東粵財新興產業股權投資基金合夥企業(有限合夥)) (“**Yuecai Emerging**”)[4]	7,667,279	23,001,837
Advanced Photoelectronic .	Jiaoying Yihao (Jiaxing) Equity Investment Partnership (Limited Partnership) (交盈壹號(嘉興)股權投資合夥企業(有限合夥)) (“**Jiaoying Yihao**”)[4]	3,000,000	9,000,000
Advanced Photoelectronic .	GU Wenjun (顧文軍)[4]	2,000,000	6,000,000
Advanced Photoelectronic .	Foshan Fengsheng Equity Investment Center (Limited Partnership) (佛山市峰盛股權投資中心(有限合夥)) (“**Fengsheng Investment**”)[4][6]	1,700,000	5,100,000
Advanced Photoelectronic .	Guangzhou Vision Capital Management Partnership (Limited Partnership) (廣州遠見資本管理合夥企業(有限合夥)) (“**Vision Capital**”)[4]	1,700,000	5,100,000
Advanced Photoelectronic .	ZHOU Xiaoyang (周曉陽)[4]	1,300,000	3,900,000
Advanced Photoelectronic .	LIU Jun (劉軍)[4]	700,000	2,100,000

Transferor	Transferee	Shares transferred	Consideration
			(RMB)
Advanced Photoelectronic .	Yixingbanyue(3)	217,000	651,000
Advanced Photoelectronic .	Guangzhou Chuangying Jianke Investment Partnership (L.P.) (廣州創盈健科投資合夥企業(有限合夥)) ("**Chuangying Jianke**")(4)	64,964	194,892
Transfer in May 2022			
Hengzhouxin(5) . . .	FAN Wuzhou(4)(5)	2,000,000	6,000,000
Transfer in June 2023			
Jiamu Ronghe . . .	Shenzhen Shidiya Investment Co., Ltd. (深圳市仕地亞投資有限公司) ("**Shidiya**")(4)	7,000,000	27,230,000
Transfer in August 2023			
Fengyan Investment(3) . .	HUANG Dinghe (黃鼎賀)(3)(4)	1,000,000	3,000,000

Notes:

(1) To the best of our Company's knowledge, the consideration was determined after commercial negotiations taking into account various factors such as the industry where our Company operates, the growth of our business, the net asset value per share and the price of our share allotment in 2018.

(2) Zhongke Baiyun is a limited liability company established in the PRC and an Independent Third Party.

(3) Fengyan Investment is a limited partnership established in the PRC and an Independent Third Party. In September 2023, Fengyan Investment transferred 1,000,000 Shares to HUANG Dinghe, an Independent Third Party, at a consideration of RMB3,000,000. See "— Pre-IPO Investments — Information about Our Pre-IPO Investors" below for further details of HUANG Dinghe.

(4) See "— Pre-IPO Investments — Information about Our Pre-IPO Investors" below for further details.

(5) Hengzhouxin is a limited liability company established in the PRC, and is controlled by Mr. FAN Wuzhou. In May 2022, Hengzhouxin transferred 2,000,000 Shares to FAN Wuzhou at a consideration of RMB6,000,000. See "— Pre-IPO Investments — Information about Our Pre-IPO Investors" below for further details of FAN Wuzhou.

(6) Fengsheng Investment is an investment entity of DENG Zhifeng (鄧智峰), and is a limited partnership established in the PRC, and is controlled by DENG Zhifeng as its general partner, who owns 99% of its partnership interest. In June 2024, Fengsheng Investment transferred 1,700,000 Shares to DENG Zhifeng.

Issue and Allotment of New Shares

In December 2023, in order to streamline the corporate structure of our Group, we acquired from Yaoning Technology its entire interest in Lynway Vision in consideration of our issue and allotment of 68,582,573 Shares to Yaoning Technology. See "— Major Acquisitions, Disposals and Mergers" below for further details.

In December 2023, Jingrui Investment subscribed for 5,279,328 Shares at a consideration of RMB11,614,521 which was determined with reference to the valuation of our Company at that time and the net asset value per Share of our Company in 2023. Jingrui Investment is one of our employee shareholding platforms and is controlled by Mr. Xiao as the general partner. As of the Latest Practicable Date, it was owned as to approximately 0.01% by Mr. Xiao and 99.99% by 40 limited partners, including (i) 11.37% by ZENG Zhaoming (曾照明), vice president of our Company, (ii) 7.58% by HOU Yu (侯宇), president of our Company, general manager of Linlux and supervisor of Lynway Vision (Guangzhou), (iii) 7.58% by ZHOU Baiyun (周白雲), vice president and financial controller of our Company and supervisor of Lynway Vision, and (iv) 73.46% by 37 employees of our Group holding less than 10% therein, each an Independent Third Party.

In December 2023, Jingshi Investment subscribed for 6,581,700 Shares at a consideration of RMB14,479,740 which was determined with reference to the valuation of our Company at that time and the net asset value per Share of our Company in 2023. Jingshi Investment is one of our employee shareholding platforms and is controlled by Mr. Xiao as the general partner. As of the Latest Practicable Date, it was owned as to approximately 53.18% by Mr. Xiao and 46.82% by 17 limited partners, including (i) 10.64% by ZHENG Longfeng (鄭龍鋒), the board secretary of our Company, and (ii) 36.18% by 16 employees of our Group holding less than 10% therein, each an Independent Third Party.

In December 2023, Jingling Investment subscribed for 6,567,670 Shares at a consideration of RMB17,075,942 which was determined with reference to the valuation of our Company at that time and the net asset value per Share of our Company in 2023. Jingling Investment is an employee shareholding platform of Lynway Vision and is controlled by Mr. Xiao as the general partner. As of the Latest Practicable Date, it was owned as to approximately 0.01% by Mr. Xiao and 99.99% by 15 limited partners, including (i) 16.38% by LIU Tie (劉鐵), general manager of Lynway Vision and the executive director and manager of Lynway Vision (Guangzhou), and (ii) 83.61% by 14 employees of Lynway Vision holding less than 15% therein, each an Independent Third Party.

As a result of the above, the share capital of our Company was increased to 498,506,709 Shares with a nominal value of RMB1.00 each.

CAPITALIZATION OF OUR COMPANY

As of the Latest Practicable Date and immediately after completion of the Global Offering (assuming the Offer Size Adjustment Option is not exercised), the summary of the capitalization of our Company is set out as follows:

Shareholder	Number of Shares	Percentage of shareholding as of the Latest Practicable Date	Percentage of shareholding immediately after completion of the Global Offering
		(approximate)	*(approximate)*
Advanced Photoelectronic[(1)]	202,307,876	40.58%	38.02%
Jingyu Investment[(1) (5) (8) (9) (10)]	14,105,000	2.83%	2.65%
Jingshi Investment[(1) (5)]	6,581,700	1.32%	1.24%
Jingling Investment[(1) (5)]	6,567,670	1.32%	1.23%
Jingrui Investment[(1) (5) (8) (9) (10)]	5,279,328	1.06%	0.99%
Yaoning Technology	68,582,573	13.76%	12.89%
Yueke Investment[(2)]	23,712,360	4.76%	4.46%
Dingdekai[(6)]	18,800,000	3.77%	3.53%
Guangrong Lianmeng	12,000,000	2.41%	2.26%
FAN Wuzhou	11,000,000	2.21%	2.07%
Zhongbao Industrial	10,000,000	2.01%	1.88%
Zhongke Baiyun	9,939,275	1.99%	1.87%
YE Zhiyu[(4)]	9,393,602	1.88%	1.77%
Xijiao Science Innovation[(7)]	9,347,827	1.88%	1.76%
Guangdong Technology VC[(2)]	8,695,653	1.74%	1.63%
Gossel	8,000,000	1.60%	1.50%
SME Fund[(3)]	7,790,000	1.56%	1.46%
Yuecai Yuanhe[(3)]	7,700,000	1.54%	1.45%
Yuecai Emerging[(3)]	7,667,279	1.54%	1.44%
Shidiya	7,000,000	1.40%	1.32%
GAO Tao[(8)]	5,000,000	1.00%	0.94%
Episky	4,678,240	0.94%	0.88%
Haohan Photoelectronic	4,205,600	0.84%	0.79%
Guanmaoyuan[(6)]	3,351,304	0.67%	0.63%
GUI Fan	3,000,000	0.60%	0.56%
Jiaoying Yihao[(7)]	3,000,000	0.60%	0.56%
Jiamu Ronghe	2,488,486	0.50%	0.47%
ZHOU Baiyun[(10)]	2,200,000	0.44%	0.41%
WANG Qi	2,000,000	0.40%	0.38%

Shareholder	Number of Shares	Percentage of shareholding as of the Latest Practicable Date	Percentage of shareholding immediately after completion of the Global Offering
		(approximate)	*(approximate)*
HE Jinchun	2,000,000	0.40%	0.38%
GU Wenjun	2,000,000	0.40%	0.38%
LAI Canwei	1,826,087	0.37%	0.34%
DENG Zhifeng	1,700,000	0.34%	0.32%
Vision Capital	1,700,000	0.34%	0.32%
WANG Hongying(9)	1,300,000	0.26%	0.24%
ZHOU Xiaoyang	1,300,000	0.26%	0.24%
HUANG Dinghe	1,000,000	0.20%	0.19%
LIU Jun	700,000	0.14%	0.13%
Yixingbanyue(3)	427,000	0.09%	0.08%
YE Zhixiong(4)	94,885	0.02%	0.02%
Chuangying Jianke(3)	64,964	0.01%	0.01%
Other public Shareholders	33,600,000	Nil	6.31%
	532,106,709	**100%**	**100%**

Notes:

Among the existing Shareholders,

(1) Advanced Photoelectronic, Jingyu Investment, Jingshi Investment, Jingling Investment and Jingrui Investment are concert parties. See "— The Concert Party Group" below in this section for further details.

(2) Yueke Investment was wholly owned by Yueke Group, and Guangdong Technology VC was owned as to 80% by Yueke Group, as of the Latest Practicable Date.

(3) Yuecai Yuanhe, Yuecai Emerging, Chuangying Jianke, SME Fund and Yixingbanyue are private equity funds, the fund managers of which are all controlled by Guangdong Yuecai Investment Holding Co., Ltd. (廣東粵財投資控股有限公司) ("**Yuecai Holding**"). See "— Information about Our Pre-IPO Investors" below in this section for further details.

(4) Mr. YE Zhiyu and Mr. YE Zhixiong are brothers.

(5) As of the Latest Practicable Date, Mr. Xiao was the general partner of Jingyu Investment, Jingling Investment, Jingrui Investment and Jingshi Investment, our employee shareholding platforms. The limited partners of all four employee shareholding platforms are the employees of the Group and partially overlap with each other. See "Appendix VI — Statutory and General Information — Further Information about Our Directors, Supervisors, Management and Substantial Shareholders — Share Incentive Schemes" for details.

(6) As of the Latest Practicable Date, SU Yongchun (蘇永春), an Independent Third Party, was the general partner of Dingdekai and Guanmaoyuan. Dingdekai has 25 limited partners, each an Independent Third Party holding less than 15% therein.

(7) Jiaoying Yihao is a limited partner of Xijiao Science Innovation.

(8) Ms. GAO Tao is the spouse of Mr. HOU Yu, the president of our Company, the general manager of Linlux and the supervisor of Lynway Vision (Guangzhou), who is a limited partner of Jingyu Investment and Jingrui Investment.

(9) Ms. WANG Hongying is the spouse of Mr. ZENG Zhaoming, our vice president, who is a limited partner of Jingyu Investment and Jingrui Investment.

(10) Ms. ZHOU Baiyun, our vice president and financial controller and supervisor of Lynway Vision, is a limited partner of Jingyu Investment and Jingrui Investment.

PREVIOUS A-SHARE LISTING APPLICATION

We had historically explored the opportunity of establishing a capital market platform in the A-share market. In December 2019, we applied for listing of our Shares on STAR (the "**STAR Application**"). The Shanghai Stock Exchange raised certain comments to request further information or disclosures for the purpose of STAR Application. Our Directors are of the view, and the Sole Sponsor concurs, that none of such comments raised by the Shanghai Stock Exchange will render the Group not suitable for Listing, and all information that is relevant to the Listing and reasonably necessary for the potential investors to make an informed assessment of our Group has been included in this prospectus. Subsequently, the outbreak of COVID-19 pandemic had adversely affected our operations. Considering the relatively early stage of our high-end lighting and intelligent automotive lighting businesses and the market fluctuation at that time and the needs to strategically focus on business development of our Group, we voluntarily withdrew the STAR Application in May 2020.

To the best of our Directors' knowledge and belief, our Directors are not aware of (i) any other matters relating to the STAR Application that might potentially affect the suitability of our Group to be listed on the Stock Exchange, or (ii) any other matters that need to be brought to the attention of the Stock Exchange and investors in relation to the STAR Application. The Sole Sponsor concurs the view of the Directors that there were no other matters that need to be brought to the attention of the Stock Exchange and investors in relation to the STAR Application.

THE CONCERT PARTY GROUP

On January 1, 2021, Mr. Xiao, APTESS Company Limited ("**APTESS**"), Mr. Yuan, Giant Power Limited ("**Giant Power**") and Mr. Chan (together, the "**Concert Parties**"), entered into an acting-in-concert agreement, pursuant to which all the Concert Parties agreed to act in concert by aligning their votes at the board and/or the shareholders' meetings of both our Company and

Advanced Photoelectronic in accordance with the consensus achieved between them. In the event that they are unable to reach consensus on any matter presented, the parties shall vote in accordance with the direction of Mr. Xiao. The agreement has a term of ten years commencing from the date of its execution (January 1, 2021), and may be renewed upon its expiration as the Concert Parties may mutually agree. In addition, each of (i) Ms. Loh, as spouse of Mr. Chan and a shareholder of Advanced Photoelectronic and (ii) Jingyu Investment, Jingling Investment, Jingrui Investment and Jingshi Investment, as our Shareholders which are controlled by Mr. Xiao as their general partner, has been acting in concert with the Concert Parties. On December 8, 2023, Advanced Photoelectronic, Jingyu Investment, Jingling Investment, Jingrui Investment and Jingshi Investment entered into a concert party agreement to confirm the concert party relationship with respect to their shareholding interests in our Company pursuant to which all the concert parties thereunder agreed to act in concert by aligning their votes at the board and/or the shareholders' meetings of our Company in accordance with the consensus achieved between them, and in the event that they are unable to reach consensus on any matter presented, the vote of Advanced Photoelectronic shall prevail. The agreement has an initial term of three years commencing from the date of its execution (December 8, 2023), and will be automatically extended for three years if there is no objection from the parties. Accordingly, Mr. Xiao, Mr. Chan and Mr. Yuan, APTESS, Giant Power, Advanced Photoelectronic, Jingyu Investment, Jingling Investment, Jingrui Investment and Jingshi Investment together with Ms. Loh (by virtue of her spousal relationship with Mr. Chan), are parties acting in concert with respect to their interests in our Company (the "**Concert Party Group**"). As of the Latest Practicable Date, the Concert Party Group was in aggregate directly and indirectly interested in approximately 47.11% of the total share capital of our Company.

PRE-IPO INVESTMENTS

Overview

We concluded several Pre-IPO investments subsequent to our voluntary withdrawal of the STAR Application. For further details, see "— Corporate Development — Subsequent Capital Increase and Share Transfers" above in this section. The following table summarizes the key terms of the Pre-IPO investments:

	Transfers in 2021	Transfer in May 2022	Transfers in June 2023	Transfer in August 2023
Date of agreement	June 16, 2021 November 24, 2021 November 27, 2021 December 1, 2021 December 10, 2021 December 20, 2021	May 20, 2022	June 2, 2023	August 25, 2023

	Transfers in 2021	Transfer in May 2022	Transfers in June 2023	Transfer in August 2023
Date of settlement of consideration	On or before January 19, 2022	May 31, 2022	August 24, 2023	September 8, 2023
Number of Shares acquired	36,049,243	2,000,000	7,000,000	1,000,000
Consideration *(in RMB)*	108,147,729	6,000,000	27,230,000	3,000,000
Basis of determination of the consideration	To the best of our Company's knowledge, the consideration was determined between the parties after taking into consideration various factors including but not limited to, the investment cost, our historical operating performance, market value and prospects of our business.	To the best of our Company's knowledge, the consideration was determined with reference to the investment cost of the transferor, Hengzhouxin.	To the best of our Company's knowledge, the consideration was determined between the parties after taking into consideration various factors including but not limited to, the investment cost, our historical operating performance, market value and prospects of our business.	To the best of our Company's knowledge, the consideration was determined with reference to the investment cost of the transferor, Fengyan Investment.
Cost per Share *(in RMB)*	3.00	3.00	3.89(2)	3.00
Discount/(premium) to the Offer Price (%)(1)	9.04	9.04	(17.95)	9.04

Lock-up Period . . . . Pursuant to the applicable PRC law, within the 12 months following the Listing Date, all existing Shareholders (including the Pre-IPO Investors) cannot dispose of any of the Shares held by them.

Special rights . . . . No special right has been granted to the Pre-IPO Investors.

Use of proceeds from the Pre-IPO Investments . . . As the Pre-IPO Investments were effected by way of transfer of Shares among our then existing Shareholders, no proceeds were received by our Company.

Strategic Benefits from Pre-IPO Investments . . . Our Pre-IPO Investors include several professional investors, including institutional fund, private investors and investment funds of local government. Our Directors were of the view that our Company could benefit from the Pre-IPO Investors' knowledge and experience, and could take advantage of their industry resources and networks, while broadening our shareholder base. And their commitment to our Company as their investment demonstrates their confidence in the operations of our Group and serves as an endorsement of Company's performance, strength and prospects.

Notes:

(1) Calculated based on the assumption that the Offer Price is HK$3.61 per Offer Share.

(2) To the best of our Company's knowledge, the cost per share for the transfers in June 2023 is higher compared with other Pre-IPO Investments as based on the commercial negotiations between the relevant parties, the consideration of other Pre-IPO Investments was determined primarily with reference to the initial investment cost, while that of the transfers in June 2023 was determined with reference to, various factors such as the initial investment cost, our historical operating performance, market value and prospects of our business.

Information about Our Pre-IPO Investors

To the best knowledge of our Company, each of the Pre-IPO Investors is an Independent Third Party.

Gossel

Gossel is a limited liability company established in the PRC, which is principally engaged in equity investments in industrial companies. It is owned as to 90% by Shenzhen Huali Xinye Trading Co., Ltd. (深圳市華利鑫業貿易有限公司), a company wholly owned by WANG Aiyun (王艾雲), and 10% by XU Zhixi (許知錫), each an Independent Third Party.

Yuecai

Yuecai Yuanhe is a limited partnership established in the PRC on December 10, 2018, which is a private equity fund managed by Yuecai Private Equity Investment (Guangdong) Co., Ltd. (粵財私募股權投資(廣東)有限公司) as the managing partner holding 5% therein, a company wholly owned by Yuecai Holding, which is in turn controlled by the People's Government of Guangdong Province. Yuecai Holding is also the holding company of the fund manager of SME Fund and directly and indirectly owns 60% of SME Fund, a Shareholder of our Company. Yuecai Yuanhe has five other partners, each an Independent Third Party holding no more than 30% interest therein.

Yuecai Emerging is a limited partnership established in the PRC on May 7, 2019, which is a private equity fund managed by Shenzhen Yuechuang as the general partner holding 1% therein, which is in turn indirectly wholly owned by Yuecai Holding. Yuecai Emerging is owned as to 34% by a private equity fund ultimately controlled by Yuecai Holding as a limited partner, and each of the other limited partners is an Independent Third Party holding no more than 30% interest therein.

Chuangying Jianke is a limited partnership established in the PRC on December 6, 2017, which is a private equity fund managed by Guangdong Finance Venture Capital Company Ltd. (廣東粵財創業投資有限公司) as the general partner holding approximately 7.76% therein, which is in turn wholly owned by Yuecai Holding. Chuangying Jianke has 49 limited partners, each an Independent Third Party holding less than 10% therein.

Yixingbanyue is a limited partnership established in the PRC on December 15, 2015, which is a private equity fund managed by Yuecai Zhongyin Private Equity Fund Management (Guangdong) Co., Ltd. (粵財中垠私募股權投資基金管理(廣東)有限公司) as the general partner holding approximately 0.0585% therein, which is in turn controlled by Yuecai Holding. Yixingbanyue has 44 limited partners, each an Independent Third Party holding less than 20% therein.

Jiaoying Yihao

Jiaoying Yihao is a limited partnership established in the PRC on September 7, 2021 and is mainly engaged in equity investment, which is a private equity fund managed by Xi'an Xijiao 1896 Capital Management Co., Ltd. (西安西交一八九六資本管理有限公司) ("**Xijiao 1896 Capital**") as the general partner holding 2.22% therein. Xijiao 1896 Capital is principally engaged in high-tech business incubation, equity investment and industrial cooperation. None of the partners of Jiaoying Yihao nor the shareholders of Xijiao 1896 Capital holds more than one-third of interest therein.

Fengsheng Investment and DENG Zhifeng

Fengsheng Investment is an investment entity of DENG Zhifeng, and is a limited partnership established in the PRC on August 24, 2021, which is principally engaged in equity investments. It is controlled by DENG Zhifeng, as its general partner, who owns 99% of its partnership interest. DENG Zhifeng is an Independent Third Party and a private investor.

Vision Capital

Vision capital is a limited partnership established in the PRC on September 7, 2021, which is principally engaged in equity investments. It is owned as 85% by YANG Dongai (楊冬艾), an Independent Third Party, as the general partner and 15% by two Independent Third Parties.

Shidiya

Shidiya is a limited liability company established in the PRC on January 3, 2018, which is principally engaged in equity investments. It is owned as to 65% by HUANG Shan (黃山) and 35% by LU Jie (陸傑), each an Independent Third Party.

Other investors

Each of FAN Wuzhou, HUANG Dinghe, GU Wenjun, ZHOU Xiaoyang and LIU Jun is a private investor and an Independent Third Party.

Compliance with the Pre-IPO Investment Guidance

On the basis that (i) the considerations for the Pre-IPO Investments were settled more than 28 clear days before the date of our first submission of the listing application form to the Stock Exchange in relation to the Listing, and (ii) no special right has been granted to the Pre-IPO Investors, the Sole Sponsor is of the view that the Pre-IPO Investments are in compliance with Chapter 4.2 of the Guide for New Listing Applicants.

PUBLIC FLOAT

The 283,000,066 Domestic Unlisted Shares that will not be converted into H Shares, representing approximately 53.18% of our total issued Shares upon Listing (assuming the Offer Size Adjustment Option is not exercised), will not be considered as part of the public float as the Domestic Unlisted Shares will not be converted into H Shares and will not be listed following the completion of the Global Offering.

Of the 215,506,643 H Shares to be converted from Domestic Unlisted Shares and listed on the Stock Exchange following the completion of the Global Offering:

(a) 114,838,365 of such H Shares, representing approximately 21.58% of our total issued Shares upon Listing (assuming the Offer Size Adjustment Option is not exercised), will not be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules after the Listing as such shares are being held by Advanced Photoelectronic, Jingyu Investment, Jingshi Investment, Jingling Investment, Jingrui Investment, Yaoning Technology, Yueke Investment, Guangdong Technology VC, Yuecai Yuanhe, Yuecai Emerging, Chuangying Jianke, SME Fund, Yixingbanyue and GAO Tao, the core connected persons of our Company;

Note:

As of the Latest Practicable Date, (i) Yueke Investment was wholly owned by Yueke Group, and Guangdong Technology VC was owned as to 80% by Yueke Group, which was in turn owned as to 90% and 10% by the People's Government of Guangdong Province and the Department of Finance of Guangdong Province, respectively; and (ii) Yuecai Yuanhe, Yuecai Emerging, Chuangying Jianke, SME Fund and Yixingbanyue were private equity funds, the fund managers of which were all controlled by Yuecai Holding, which was in turn controlled by the People's Government of Guangdong Province. Therefore, the People's Government of Guangdong Province will be interested in over 10% of our total issued Shares following the completion of the Global Offering, and the H Shares to be converted from Domestic Unlisted Shares held by each of Yueke Investment, Guangdong Technology VC, Yuecai Yuanhe, Yuecai Emerging, Chuangying Jianke, SME Fund and Yixingbanyue will not be considered as part of the public float.

(b) 100,668,278 of such H Shares, representing approximately 18.92% of our total issued Shares upon Listing (assuming the Offer Size Adjustment Option is not exercised), will be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules after the Listing as such remaining shareholders are not core connected persons of our Company upon Listing nor accustomed to take instructions from the Company's core connected persons in relation to the acquisition, disposal, voting or other disposition of their Shares and their acquisition of Shares were not financed directly or indirectly by our Company's core connected persons.

Taking into consideration of the H Shares to be issued pursuant to the Global Offering, the public float of our Company will be approximately 25.23% upon Listing (assuming the Offer Size Adjustment Option is not exercised).

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

During the Track Record Period, save as disclosed below, we have not made any acquisitions, disposals or mergers that we consider to be material to us.

Acquisition of Lynway Vision

Lynway Vision was established in 2018 to engage in the intelligent automobile vision business. At our initiative for a strategic transformation to an intelligent vision product and system provider, we approached automotive OEMs to explore market opportunities, and became acquainted with Geely Holding and subsequently reached cooperation to jointly establish Lynway Vision.

Since the establishment of Lynway Vision in 2018, our Company has been deeply involved in the operations and development of Lynway Vision. In line with the commercial consensus between our Company and Yaoning Technology, we decided to acquire Lynway Vision in order to (i) enhance operational independence of Lynway Vision separate from the Geely Related Group, an essential step for Lynway Vision to secure additional market opportunities from other automotive OEMs, and (ii) promote our integration in the industry value chain, which would in turn enable Lynway to benefit from the enhanced business synergy.

On January 27, 2021, our Company entered into a capital increase agreement with Yaoning Technology and Lynway Vision, pursuant to which we subscribed for the newly increased registered capital of RMB4,100,000 of Lynway Vision at a consideration of RMB16,400,000, which was determined with reference to the valuation of Lynway Vision agreed between the parties after arm's length negotiations. The consideration has been fully settled by our internal resources. Upon completion, Lynway Vision became a subsidiary of our Company in September 2021 and was owned as to 51% by our Company and 49% by Yaoning Technology.

To streamline our corporate structure, on November 27, 2023, our Company entered into an agreement for asset purchase by share issue with Yaoning Technology pursuant to which our Company acquired 49% equity interest in Lynway Vision in consideration of our issue and allotment of 68,582,573 Shares to Yaoning Technology, which was determined with reference to the valuation of each of Lynway Vision and our Company conducted by an independent valuer. Upon completion, Lynway Vision became wholly owned by our Company.

Save for our acquisition of Lynway Vision, we believe that there has not been any material change in relationships or business arrangements between the Group and Yaoning Technology prior to and after the shareholding changes in Lynway Vision in September 2021 and November 2023, respectively.

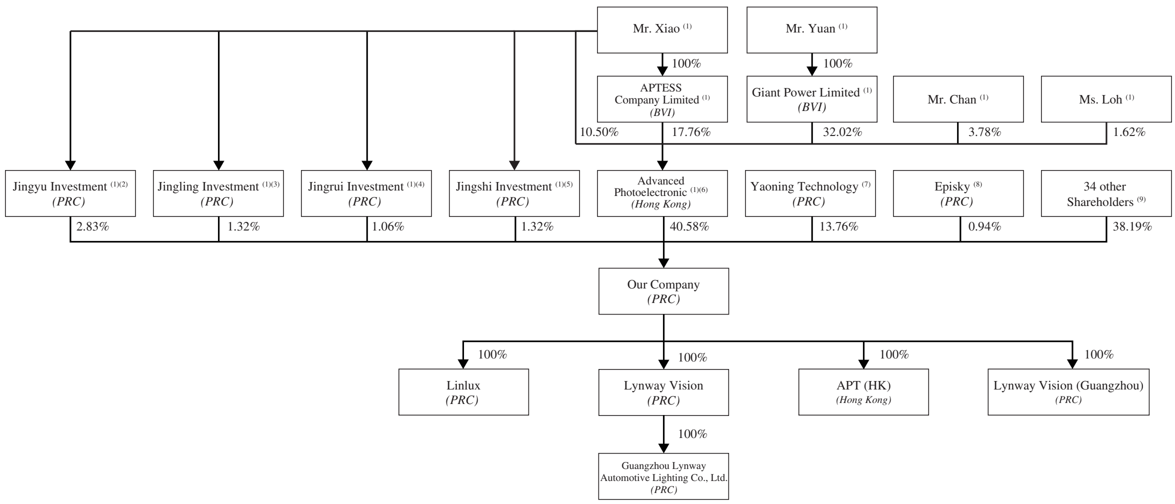
According to Rule 4.05A of the Listing Rules, the acquisition of Lynway Vision would have been classified at the date of application for our listing, as a major transaction under Chapter 14 of the Listing Rules. See the Accountants' Report of Lynway Vision in Appendix IB to this prospectus for details.

PRC REGULATORY REQUIREMENTS

Our PRC Legal Advisor has confirmed that we have legally and properly completed, settled, and obtained the requisite legal approvals and completed requisite governmental registrations with relevant governmental authorities in the PRC with respect to all the aforesaid capital increases, share transfers, equity transfers and conversion into a joint stock limited company.

CORPORATE AND SHAREHOLDING STRUCTURE

The following chart sets out the shareholding and corporate structure immediately prior to the completion of the Global Offering:



Notes:

(1) Mr. Xiao, Mr. Chan, Mr. Yuan, APTESS Company Limited, Giant Power Limited, Ms. Loh, Advanced Photoelectronic, Jingyu Investment, Jingling Investment, Jingrui Investment and Jingshi Investment are members of the "Concert Party Group." See "— The Concert Party Group" above for further details.

(2) Jingyu Investment is controlled by Mr. Xiao as its general partner. As of the Latest Practicable Date, it was owned as to approximately (i) 27.79% by Mr. Xiao, (ii) 12.76% by HOU Yu, president of our Company, general manager of Linlux and supervisor of Lynway Vision (Guangzhou), (iii) 11.27% by ZENG Zhaoming, vice president of our Company, (iv) 10.99% by ZHOU Baiyun, vice president and financial controller of our Company and supervisor of Lynway Vision, (v) 3.83% by OU Weineng, a Supervisor, and (vi) 33.36% by 28 other limited partners, each an employee of our Group and an Independent Third Party holding less than 15% therein.

(3) Jingling Investment is controlled by Mr. Xiao as its general partner. As of the Latest Practicable Date, it was owned as to approximately (i) 0.01% by Mr. Xiao, (ii) 16.38% by LIU Tie, general manager of Lynway Vision and the executive director and manager of Lynway Vision (Guangzhou), as a limited partner, and (iii) 83.61% by 14 other employees of Lynway Vision holding less than 15% therein, each a limited partner and an Independent Third Party.

(4) Jingrui Investment is controlled by Mr. Xiao as its general partner. As of the Latest Practicable Date, it was owned as to approximately 0.01% by Mr. Xiao and 99.99% by 40 limited partners, including (i) 11.37% by ZENG Zhaoming, vice president of our Company, (ii) 7.58% by HOU Yu, president of our Company, general manager of Linlux and supervisor of Lynway Vision (Guangzhou), (iii) 7.58% by ZHOU Baiyun, vice president and financial controller of our Company and supervisor of Lynway Vision, and (iv) 73.46% by 37 other limited partners, each an employee of our Group and an Independent Third Party holding less than 15% therein.

(5) Jingshi Investment is controlled by Mr. Xiao as its general partner. As of the Latest Practicable Date, it was owned as to approximately (i) 53.18% by Mr. Xiao, (ii) 10.64% by ZHENG Longfeng, the board secretary of our Company, as a limited partner, and (iii) 36.18% by 16 other limited partners, each an employee of our Group and an Independent Third Party holding less than 15% therein.

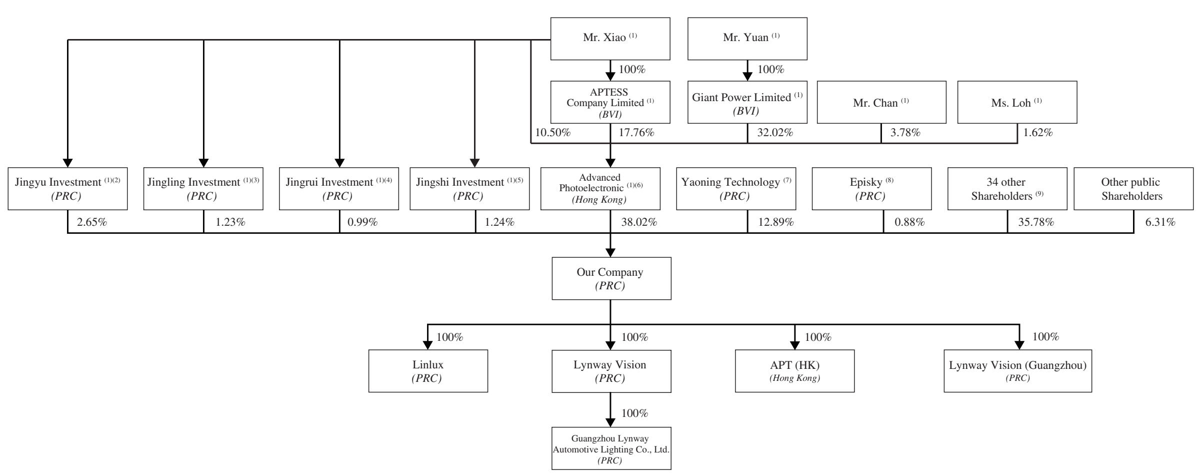
(6) As of the Latest Practicable Date, Advanced Photoelectronic was owned as to approximately 65.68% by the Controlling Shareholder Group; 21.47% by Epistar Corporation and its subsidiaries Lighting Investment Corporation and Lighting Investment Ltd., 4.59% by Pacific Asia Partners Ltd. and Unimode Investment Co., Ltd. which were ultimately controlled by Mr. CHEN Chih-Yuan (陳致遠) and his relative, 3.15% by Formosa Luck Company Limited which was wholly owned by Yang, A-Chu (楊阿桔), 3.07% by Mr. WU Shaofan (吳少凡) and 2.04% by Grand Thrive Enterprises Ltd. which was wholly owned by Kuo, Hao-Tsun (郭皓存), each an Independent Third Party.

(7) As of the Latest Practicable Date, Yaoning Technology was indirectly controlled by LI Xingxing (李星星), the brother-in-law of ZHENG Xin, our non-executive Director.

(8) Episky is a wholly-owned subsidiary of Epistar Corporation, a shareholder of Advanced Photoelectronic.

(9) The 34 other Shareholders include Yueke Investment, Dingdekai, Guangrong Lianmeng, FAN Wuzhou, Zhongbao Industrial, Zhongke Baiyun, YE Zhiyu, Xijiao Science Innovation, Guangdong Technology VC, Gossel, SME Fund, Yuecai Yuanhe, Yuecai Emerging, Shidiya, GAO Tao, Haohan Photoelectronic, Guanmaoyuan, GUI Fan, Jiaoying Yihao, Jiamu Ronghe, ZHOU Baiyun, WANG Qi, HE Jinchun, GU Wenjun, LAI Canwei, DENG Zhifeng, Vision Capital, WANG Hongying, ZHOU Xiaoyang, HUANG Dinghe, LIU Jun, Yixingbanyue, YE Zhixiong and Chuangying Jianke. See "— Capitalization of Our Company" above for details and shareholdings of such Shareholders.

The following chart illustrates our corporate and shareholding structure immediately after the completion of the Global Offering (assuming that the Offer Size Adjustment Option has not been exercised):



Notes (1)-(9): See the respective notes under the shareholding and corporate structure immediately prior to the completion of the Global Offering as set out above.

OUR VISION

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

OUR MISSION

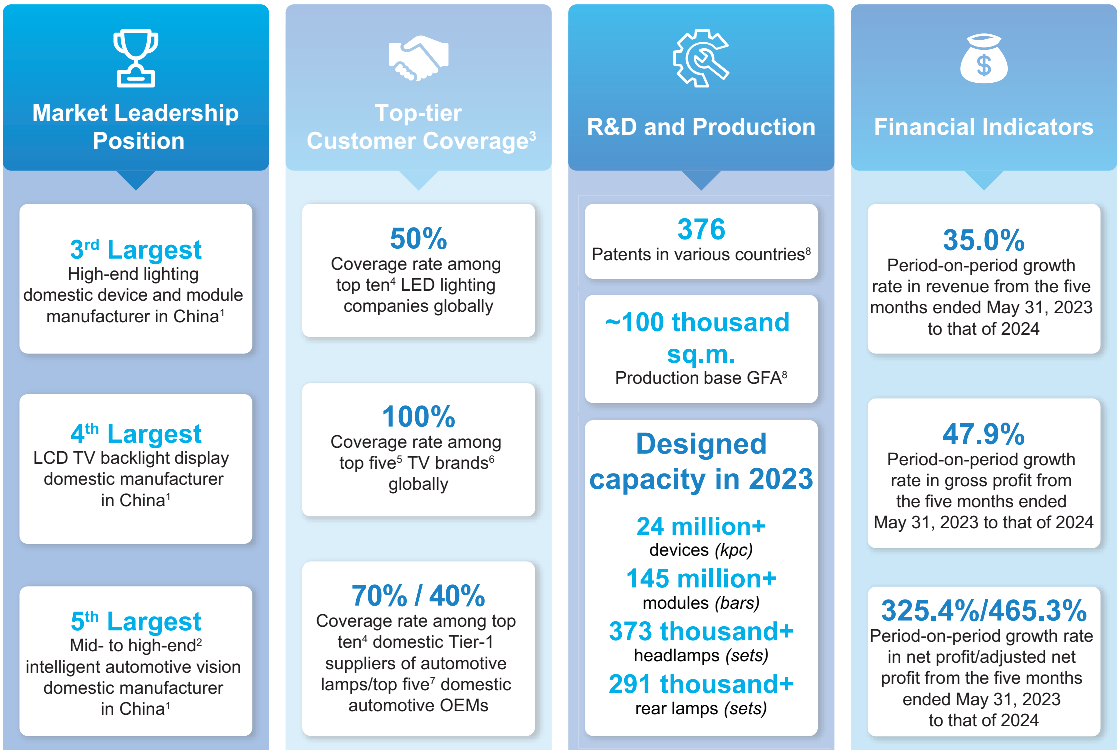
Driving green and sustainable development with technological innovation and creating a better and more intelligent lifestyle with "LED+" technologies.

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.

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.

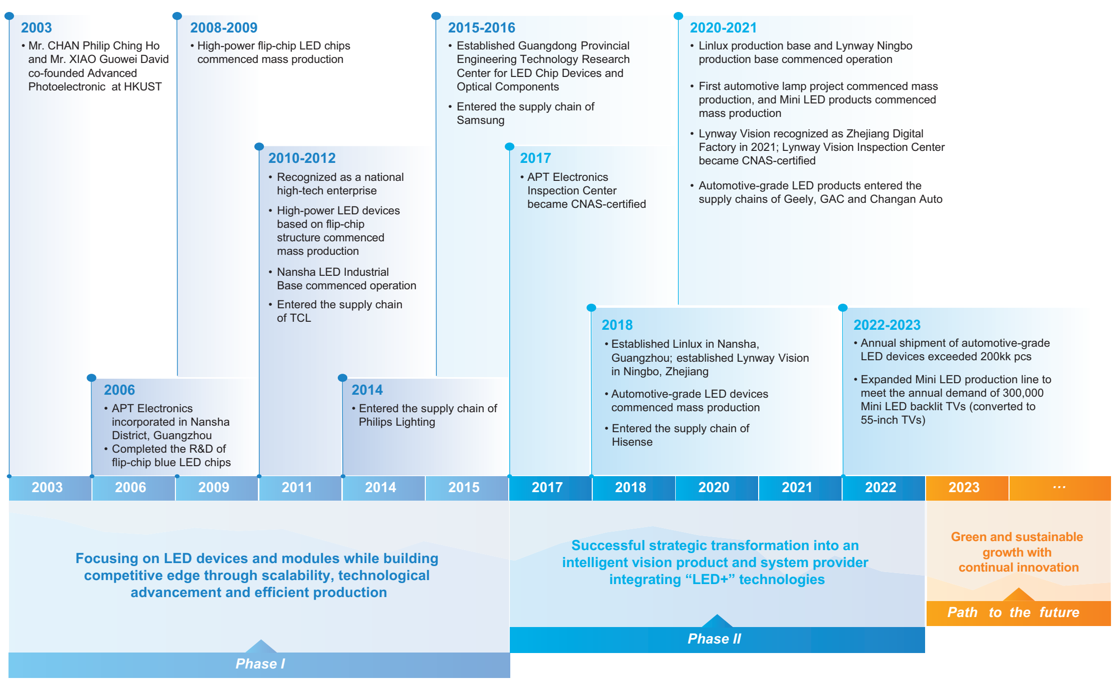
6. The global LCD TV industry is highly concentrated with top five LCD TV brands taking up an aggregated market share of 61.6% in terms of TV shipments in 2023.

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.

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.

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.

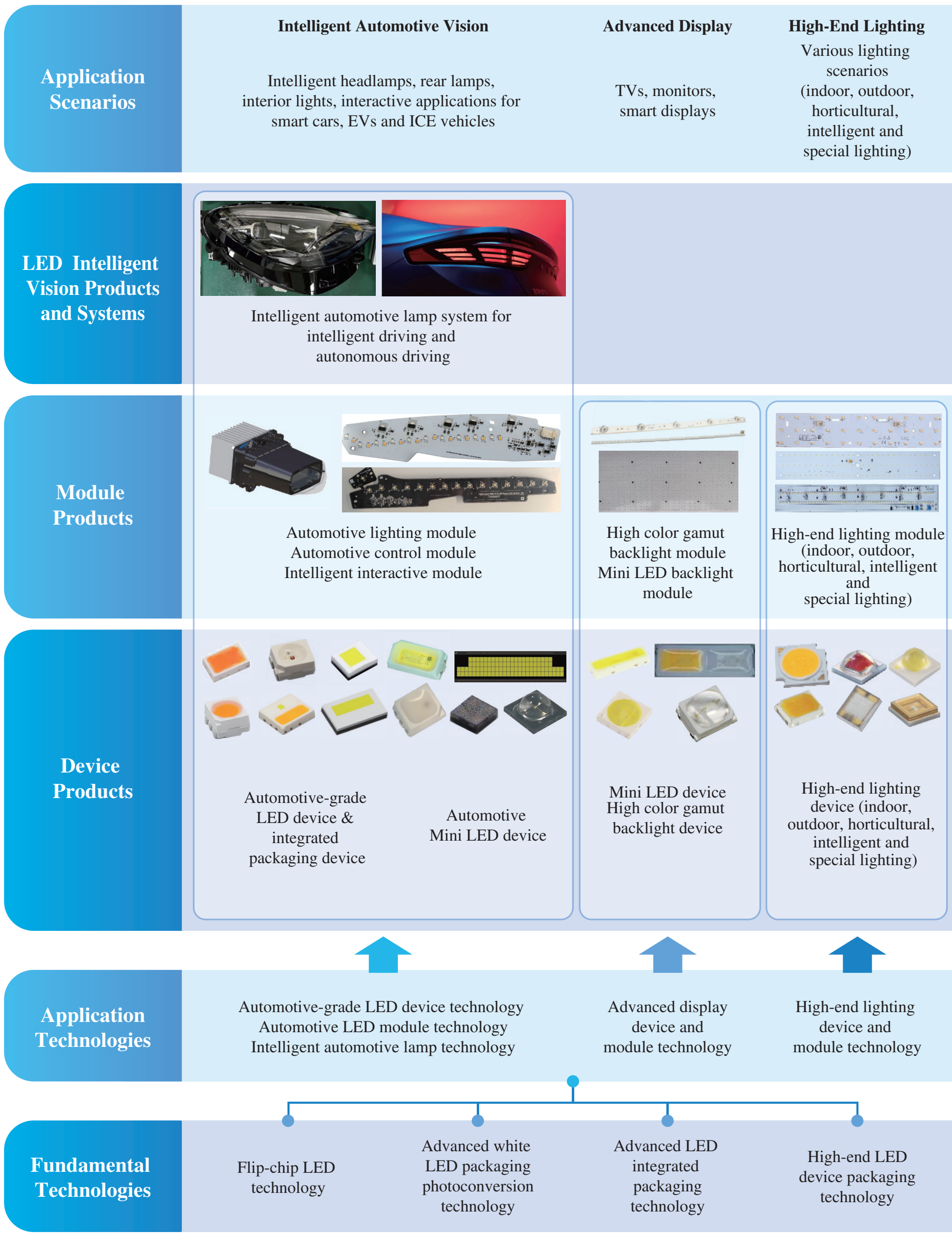
High-End Lighting

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.

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, 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 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 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 Toyoda 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 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, 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.

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.

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

Main category	Sub-Category	Characteristics
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.

Main category	Sub-Category	Characteristics
	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.

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

	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
	(RMB in thousands, except for percentages)									
							(unaudited)			
Intelligent automotive vision	**(846)**	**(1.1)**	**70,061**	**17.5**	**115,240**	**14.9**	**23,077**	**10.2**	**56,084**	**15.3**
Intelligent automotive lamps	(1,210)	(2.4)	60,026	17.1	97,446	13.8	19,121	9.0	43,216	13.0
Automotive-grade LED devices and modules	364	1.5	10,035	21.0	17,794	28.2	3,956	28.0	12,868	37.7
High-end lighting	**202,348**	**19.6**	**128,768**	**19.2**	**152,429**	**23.4**	**57,400**	**22.6**	**62,973**	**24.8**
High-end lighting devices	178,753	21.0	103,066	20.8	110,918	23.6	38,738	22.1	45,158	25.5
High-end lighting modules	23,595	12.8	25,702	14.6	41,511	23.0	18,702	23.9	17,815	23.1
Advanced display	**26,776**	**9.6**	**36,356**	**10.7**	**71,342**	**16.4**	**23,793**	**16.4**	**35,189**	**15.7**
Total	**228,278**	**16.4**	**235,185**	**16.7**	**339,011**	**18.2**	**104,310**	**16.7**	**154,246**	**18.3**

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 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 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
	(RMB in thousands, except percentage)														
										(unaudited)					
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
Total	**50,732**	**100.0**	**(2.4)**	**351,792**	**100.0**	**17.1**	**707,945**	**100.0**	**13.9**	**211,551**	**100.0**	**9.0**	**331,355**	**100.0**	**13.0**

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	
	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
	(set)	*(RMB)*	*(set)*	*(RMB)*	*(set)*	*(RMB)*	*(set)*	*(RMB)*	*(set)*	*(RMB)*
Intelligent automotive lamps										
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
Total	**41,722**	**1,216.0**	**243,081**	**1,447.2**	**455,049**	**1,555.8**	**147,202**	**1,437.1**	**222,628**	**1,488.4**

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 visions 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.

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

Product	Features
 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.

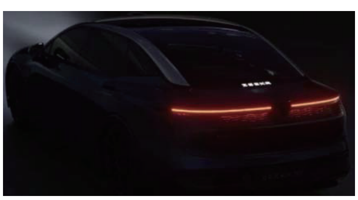
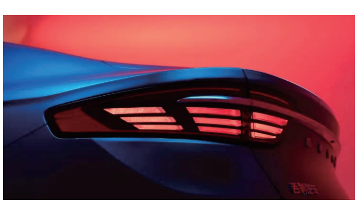
- *Our R&D focus*: upon fulfillment of the design of high and low beam modules, we further developed an innovative design featuring two dual-beam modules with one of them increasing the distance of low beams and the other increasing the width of low beams, while both modules light up simultaneously when 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 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.

Product	Features
 ZEEKR 007 Rear Lamps	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.

Product	Features
 Lynk & Co 06 EM-P Rear Lamps	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, 2021	2022	2023	For the five months ended May 31, 2024	From June 1, 2024 until the Latest Practicable Date
Started design in[1]	*Headlamps*	11	6	11	5	1
	Rear lamps	5	12	13	6	1
Total		**15[3]**	**18**	**24**	**11**	**2**
Secured design win[2]	*Headlamps*	7	3	—	—	—
	Rear lamps	2	5	1	1	—
Total		**8[3]**	**8**	**1**	**1**	**—**
Commenced mass production	*Headlamps*	2	2	6	—	—
	Rear lamps	2	1	4	1	—
Total		**4**	**3**	**9[3]**	**1**	**—**

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.

(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

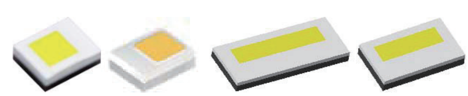
As part of our intelligent automotive vision product matrix, we also offer automotive-grade LED device and module solutions. Automotive-grade LED devices and modules are the core components of automotive lamps, and their functionality and performance are highly correlated with driving safety. Consequently, 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 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 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 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.

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
Intelligent automotive lamps				
Headlamps	*Mid-to high-end vehicles*		• ZEEKR	
Rear lamps	*Mid-to high-end vehicles*	• ZEEKR • Lynk & Co	• ZEEKR • ZEEKR	
Automotive LED modules	*Mid-to high-end vehicles*	• Rear lamps of Lynk & Co • Headlamps of Brand A • Headlamps of Brand B	• Rear lamps of ZEEKR	
Automotive-grade LED devices	*Mid-to high-end vehicles*	• Rear lamps of Brand C • Headlamps of Geely Emgrand • Headlamps and rear lamps of Li Auto • Headlamps and rear lamps of Lynk & Co	• Rear lamps of ZEEKR	
	Entry-level vehicles	• Headlamps of Brand D • Grille lights of Brand E • Rear lamps of Brand F	• Rear lamps of Changan Auto • Rear lamps of Brand G	• Headlamps and rear lamps of Brand H • Headlamps and rear lamps of Brand I • Rear lamps of Brand J

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

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 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.

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_{70} 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_{70} 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

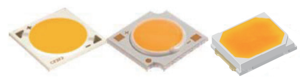
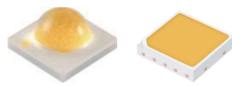
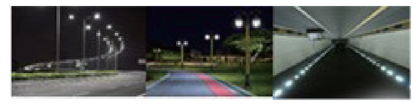
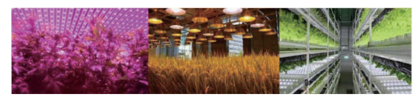
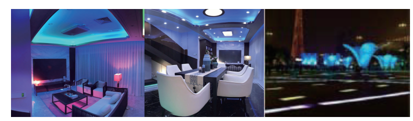
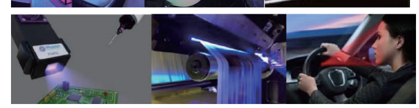
Our high-end lighting devices mainly adopt SMD packaging technology and ceramic-based packaging technology. The devices are incorporated into a variety of lighting applications, including tubes, bulbs, spotlights and panel lights, as well as a diverse range of high-end and high-value solutions, including 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.

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.

The pictures below set forth some of our key high-end lighting device products as well as their application scenarios.

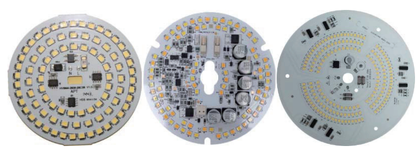
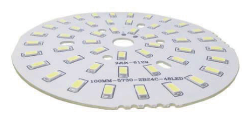
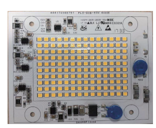
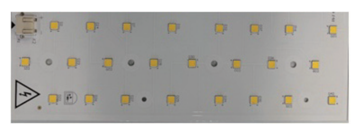
High-End Lighting Devices	Our Products	Application Scenarios
Indoor lighting.		
Outdoor lighting		
Horticultural lighting		
Intelligent lighting		
Special lighting		

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.

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	DOB Series	Lamp Board Series
Indoor lighting.		 
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.

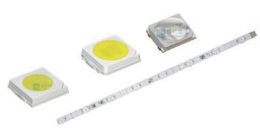
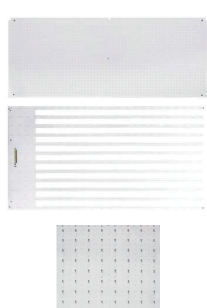
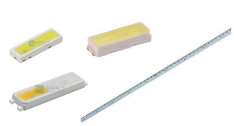
Advanced Display

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 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 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		Our direct-lit products are characterized by high power, high reliability, uniform light color and high color gamut.	 LCD TVs and monitors
	Mini LED 	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%.	
Edge-lit		Our edge-lit products are characterized by high brightness, high light efficiency, thinness and high color gamut.	

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%.

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.

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.

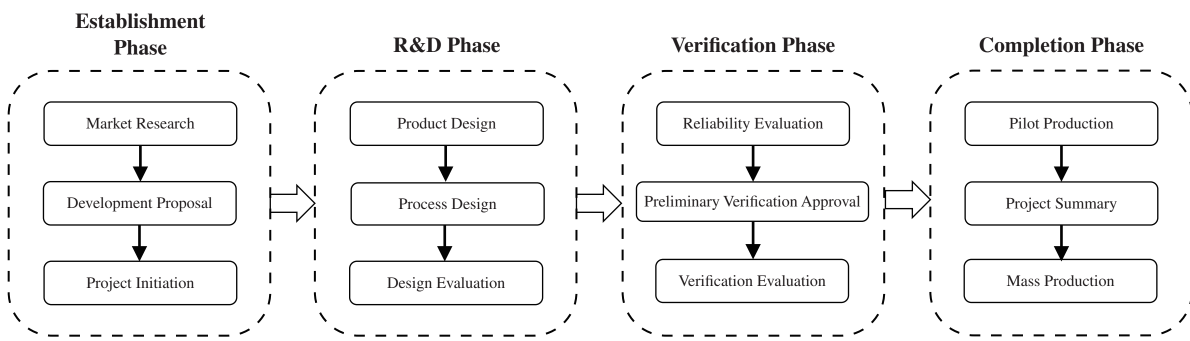
- *Module R&D unit*. Our module R&D unit is primarily responsible for the development of module products including automotive LED modules, high-end lighting and advanced display modules. It specializes in electrical design of PCB, drivers and control circuits, optical design such as lens and optical 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 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

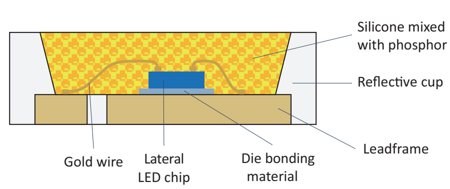
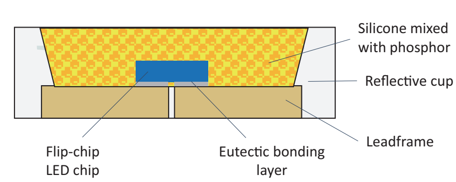
We effectively leveraged our early accumulation and achievements in LED chips and packaging technology to develop a broad range of technologies. Our technologies include (i) fundamental technologies covering flip-chip LED technologies and advanced photoelectric semi-conductor packaging technologies and (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.

	Lateral Packaging	**Flip-Chip Packaging**
Structure Chart		

	Lateral Packaging	Flip-Chip Packaging
Features and Characteristics	• Bonding wires are required for electrical connection, which carries a risk of disconnection and thus offers lower reliability;	• Electrical connections can be achieved without wire bonding, effectively eliminating the risk of product failure from disconnection of bonding wires;
	• Insulating glue is needed for die bonding, resulting in a lower heat dissipation efficiency;	• The LED chip is directly connected to the leadframe or substrate through a large metal electrode, which enhances heat dissipation and increases reliability;
	• The electrode in the front obstructs light, leading to a decrease in light output efficiency; and	• The absence of electrodes on the light-emitting surface leads to higher light output; and
	• Higher working voltage due to current block issues.	• Lower working voltage due to more uniform current distribution.
Application Scenarios	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.

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.

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.

- *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.

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.

Headlamps	Rear lamps	LED devices	LED modules
▲Injection molding	▲Injection molding	Material preparation	Material preparation
▲Surface treatment/ Laser marking	▲Surface treatment/ Laser marking	Wafer expansion	Loading
Lamp shell pre-assembly	Leadframe installation	▲Die bonding	▲Solder paste printing and inspection
Wire harness motor installation	Installation of decorative frame and lamp shell	▲Wire bonding/Reflow	▲Mounting
Installation of reflector and decorative frame	Loading screw installation	▲Phosphor mixing	▲Reflow
▲Pre-function inspection	▲Pre-function inspection	▲Silicone dispensing	▲Glue dispensing
▲Gluing and fastening	▲Welding	Online testing	▲Lens mounting
▲Function and leakage testing	▲Annealing	Curing, cutting/trimming	Curing and visual inspection
Bumper bracket installation	▲Function and leakage testing	▲Testing and sorting	▲Light performance testing
Quality inspection, packing and storage	Quality inspection, packing and storage	Taping, vacuum packing, quality inspection and storage	Packing, quality inspection and storage

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.

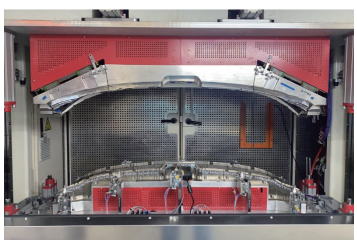
- *For device production*: we utilize wire bonding machines from top-tier global brands to guarantee the quality of the connection between chip electrodes and leadframes/substrates. We adopted a range of automated machinery, including fully automatic phosphor mixing equipment, to ensure efficiency, precision 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 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
		(sq.m.)		
APT production base	Guangzhou	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

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.

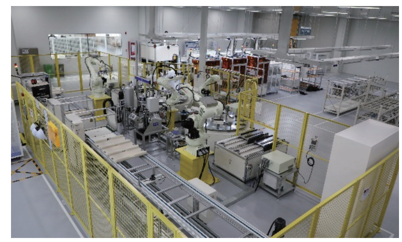
- *Linlux production base*: our Linlux production base is located in Nansha District, Guangzhou. The production base is used for the design, development, production and sales of automotive modules, high-end lighting modules and advanced display modules that include Mini LED modules.

- *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.

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(3)	Utilization Rate (%)(4)	Designed Capacity	Actual Production(3)	Utilization Rate (%)(4)	Designed Capacity	Actual Production(3)	Utilization Rate (%)(4)	Designed Capacity	Actual Production(3)	Utilization Rate (%)(4)	Designed Capacity	Actual Production(3)	Utilization Rate (%)(4)
APT production base *(kkpcs)*(2)(5)	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)*(2)(6)	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(2)(7)															
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."

(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.

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 Lnyway 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
		(sq.m.)			*(RMB in millions)*	
Production Base						
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

Production Base/Production Line	Location	Gross Floor Area	Primary Products	Additional Planned Annual Production Capacity	Estimated Capital Expenditure	Expected Timeline of Commencing Operation
		(sq.m.)			*(RMB in millions)*	
Production Line						
Automotive modules production line I[(1)]	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[(1)]	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

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	%
	(RMB in thousands, except percentage)									
							(unaudited)			
Direct sales	1,220,663	87.9	1,261,897	89.5	1,718,451	92.5	585,254	93.7	780,251	92.5
Channel partners	167,717	12.1	148,735	10.5	139,581	7.5	39,363	6.3	62,942	7.5
Total	**1,388,380**	**100.0**	**1,410,632**	**100.0**	**1,858,032**	**100.0**	**624,617**	**100.0**	**843,193**	**100.0**

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 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 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 distributer 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.

- *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 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.

- *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.

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 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 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.

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
				(RMB in thousands)		
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
	Total			997,563	71.8	

Year ended December 31, 2022

No.	Customers	Background	Products sold	Revenue	% of total revenue	Year of commencement of business relationship with us
				(RMB in thousands)		
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
	Total			1,033,727	73.2	

Year ended December 31, 2023

No.	Customers	Background	Products sold	Revenue	% of total revenue	Year of commencement of business relationship with us
				(RMB in thousands)		
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
	Total			1,366,617	73.5	

Five months ended May 31, 2024

No.	Customers	Background	Products sold	Revenue	% of total revenue	Year of commencement of business relationship with us
				(RMB in thousands)		
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
	Total			649,762	77.1	

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.

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 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.

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.

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

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.

- *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
				(RMB in thousands)		
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

No.	Suppliers	Background	Products provided to us	Purchase amount	% of total purchase amount	Year of commencement of business relationship with us
				(RMB in thousands)		
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
	Total			498,423	43.0	

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
				(RMB in thousands)		
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
	Total			287,069	26.2	

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
				(RMB in thousands)		
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
	Total			328,196	22.1	

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
				(RMB in thousands)		
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
	Total			141,447	21.6	

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 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.

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 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 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 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."

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.

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."

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

"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:

	As of May 31, 2024	
	Number of employees	*% of total employees*
Function		
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
Total	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.

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."

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) 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;

- 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."

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 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.

- **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.

Material Issues	Impact Period	Potential Impacts and Our Strategies	Targets
Information Security.	Long-Term	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.	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.
Employees' Remuneration and Benefits . .	Long-Term	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.	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.

Material Issues	Impact Period	Potential Impacts and Our Strategies	Targets
Energy Consumption . .	Long-Term	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.	We set an energy consumption target to reduce energy intensity to 217.66 MWh/RMB ten million revenue by 2025.

Material Issues	Impact Period	Potential Impacts and Our Strategies	Targets
Operational Compliance. . .	Long-Term	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.	We strictly comply with environmental and social related laws and regulations of the PRC to ensure that: • No breaches of the laws at the operational level and no penalties imposed by regulatory authorities. • There are no negative news exposures throughout the year.
Waste Management . .	Long-Term	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.	We set a waste reduction target to reduce waste generation intensity to 4.43 tonnes/RMB ten million revenue by 2025.

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_2 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.

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:

GHG Emissions	2021	2022	2023	Five months ended May 31, 2024
Total GHG Emissions (tonnes CO_2 equivalent)	**19,323**	**21,800**	**22,651**	**9,746**
Scope 1 — Direct GHG Emission (tonnes CO_2 equivalent)	59	44	115	19
Scope 2 — Indirect Energy Emission (tonnes CO_2 equivalent)	19,072	21,586	22,284	9,606
Scope 3 — Other Indirect Emission (tonnes CO_2 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.

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.

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 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**
Total	**1,727**	**1,697**	**1,915**	**2,216**
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

Employee Turnover Rate	**2021**	**2022**	**2023**	**Five months ended May 31, 2024**
Total	**55%**	**58%**	**30%**	**22%**
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%

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 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 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.

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.

Parameters	Average LED Products	LED device "3030"
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.

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 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 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.

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.

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;

- 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:

Award/Recognition	Award Year	Awarding Institution/Authority
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)

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)

OUR CONTROLLING SHAREHOLDERS

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

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

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors consider that we are capable of carrying on our business independently from our Controlling Shareholders and their respective close associates after the Listing, taking into consideration the factors below.

Management Independence

Our Board consists of nine Directors, including one executive Director, four non-executive Directors and four independent non-executive Directors. Mr. Xiao (our executive Director, chairperson and chief strategic officer) and Mr. Chan and Mr. Yuan, both non-executive Directors, are members of the Controlling Shareholder Group. Four of our Directors, namely Mr. Xiao, Mr. Chan, Mr. Yuan and Mr. WU Nan-Yang, are also directors of Advanced Photoelectronic, which is an investment holding company with no substantial business activities. Save as disclosed in this prospectus, none of our Directors or members of our senior management team holds any position in our Controlling Shareholders or their respective close associates.

Our Directors consider that we are capable of maintaining management independence for the following reasons:

(a) our daily management and operations are carried out independently by our senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Company. For details of the industry experience of our senior management team, please refer to the section headed "Directors, Supervisors and Senior Management" in this prospectus;

(b) each Director is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;

(c) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and a Director and/or his/her associate, he/she shall abstain from voting and shall not be counted towards the quorum for the voting. Hence, no Director will be able to influence our Board in making decisions on matters in which he or she is, or may be interested; and

(d) we have four independent non-executive Directors and certain matters of our Company, including continuing connected transactions, must always be referred to the independent non-executive Directors for review. We have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Company and our Controlling Shareholders which would support our independent management. For details, see "— Corporate Governance" in this section.

Based on the above, our Directors believe that our Board as a whole and together with our senior management are able to perform the managerial role in our Company independently from our Controlling Shareholders and their respective close associates after the Listing.

Operational Independence

We do not rely on our Controlling Shareholders and their respective close associates for our business development, staffing, logistics, administration, finance, internal audit, IT, sales and marketing, or company secretarial functions. We have our own departments specializing in these respective areas which have been in operation and are expected to continue to operate separately and independently from our Controlling Shareholders and their respective close associates. In addition, we have our own headcount of employees for our operations and management for human resources.

We have independent access to suppliers and customers. We are in possession of all relevant licenses, certificates, facilities and IP rights necessary to carry on and operate our principal businesses and we have sufficient operational capacity in terms of capital and employees to operate independently.

Based on the above, our Directors believe that we are able to operate independently of our Controlling Shareholders and their respective close associates.

Financial Independence

We have an independent financial system and make financial decisions according to our Company's own business needs. We have our own internal control and accounting systems and an independent finance department for discharging the treasury function and independent access to third party financing. We do not expect to rely on our Controlling Shareholders and their respective close associates for financing after the Listing as we expect that our working capital will be funded by cash flows generated from operating activities, the cash and cash equivalent on hand and internally generated funds as well as the proceeds from the Global Offering.

In addition, we are capable of obtaining financing from independent third parties without relying on any guarantee or security provided by our Controlling Shareholders or their respective associates. As of the Latest Practicable Date, we did not have any outstanding loans or guarantees provided by or granted to, nor any non-trade balances due to or due from, our Controlling Shareholders or their respective associates.

Based on the above, our Directors believe that we are capable of carrying on our business independently of, and do not place undue reliance on our Controlling Shareholders after the Listing.

INTERESTS OF OUR CONTROLLING SHAREHOLDERS IN OTHER BUSINESSES

Each of our Controlling Shareholders confirmed that as of the Latest Practicable Date, apart from the business of our Company, it/he/she did not have any interest in other business, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE

Our Company will comply with the provisions of the Corporate Governance Code in Appendix C1 to the Listing Rules (the "**Corporate Governance Code**"), which sets out principles of good corporate governance.

Our Directors recognize the importance of good corporate governance in protection of our Shareholders' interests. We would adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Company and our Controlling Shareholders:

(a) where a Board meeting is held for the matters in which any Director or his/her associates have a material interest, such Director(s) shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting;

(b) where a Shareholders' meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of their respective associates has a material interest, our Controlling Shareholders or their respective associates will not vote on the resolutions and shall not be counted in the quorum in the voting;

(c) as part of our preparation for the Global Offering, we have amended our Articles of Association to comply with the Listing Rules which will become effective upon Listing. In particular, our Articles of Association provides that, a Director shall be abstained from voting on any resolution approving any contract, transaction or arrangement in which such Director or any of his/her associates has a material interest nor shall such Director be counted in the quorum present at the Board meeting;

(d) our Company has established internal control mechanisms to identify connected transactions. Upon the Listing, if our Company enters into connected transactions with our Controlling Shareholders or any of their respective associates, our Company will comply with the applicable Listing Rules;

(e) we are committed that our Board shall include a balanced composition of executive Director and non-executive Directors (including independent non-executive Directors). We have appointed four independent non-executive Directors, and we believe our independent non-executive Directors (i) possess sufficient experiences, (ii) are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment, and (iii) will be able to provide an impartial and external opinion to protect the interests of our Shareholders as a whole. For details of the independent non-executive Directors, see "Directors, Supervisors and Senior Management";

(f) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expenses; and

(g) we have appointed Maxa Capital Limited as our Compliance Advisor to provide advice and guidance to us in respect of compliance with the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Company and our Controlling Shareholders, and to protect minority Shareholders' interests after the Listing.

OVERVIEW

Our Board consists of nine Directors, comprising one executive Director, four non-executive Directors and four independent non-executive Directors. All Directors are elected by the general meeting for a term of three years which is renewable upon re-election. The major powers and functions of the Board include, but are not limited to, convening the general meetings, presenting reports to the general meetings, implementing the resolutions passed at the general meetings, determining the operational plans and investment plans of the Group, determining the annual financial budgets and final accounts of the Group, determining the fundamental management systems of the Group, formulating profit distribution plans and loss recovery plans of the Group, and exercising other powers and functions as conferred by the Articles of Association.

Our Supervisory Committee consists of three Supervisors, comprising two Supervisors appointed by shareholders' general meeting, and one employee representative Supervisor. The Supervisory Committee is responsible for supervising the performance of duty of the Board and the senior management of the Company and overseeing the financial conditions of the Company. The employee representative Supervisor is elected by our employees, while shareholder representative Supervisors are elected at the Shareholders' general meetings. Our Supervisors are appointed for a term of three years and are eligible for re-election upon expiry of their term of office.

Our senior management is responsible for the management of day-to-day operations of the Group.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The following table sets forth certain information of our Directors:

Name	Age	Position	Principal roles and responsibilities	Date of joining our Group	Date of appointment as Director	Relationship with other Directors, Supervisors and senior management
Mr. XIAO Guowei David	56	Chairperson of the Board, executive Director and chief strategic officer	Responsible for the management of the Board and the overall development strategies, business plans and major operational decisions of our Group	August 2006	August 2006	None

Name	Age	Position	Principal roles and responsibilities	Date of joining our Group	Date of appointment as Director	Relationship with other Directors, Supervisors and senior management
Mr. CHAN Philip Ching Ho	75	Non-executive Director	Providing professional opinion and judgment to the Board	August 2006	April 2014	None
Mr. YUAN Lie Ming Peter	75	Non-executive Director	Providing professional opinion and judgment to the Board	December 2009	December 2009	None
Mr. WU Nan-Yang .	65	Non-executive Director	Providing professional opinion and judgment to the Board	April 2010	April 2010	None
Mr. ZHENG Xin . .	42	Non-executive Director	Providing professional opinion and judgment to the Board	December 2023	December 2023	None
Ms. ZHANG He . .	60	Independent non-executive Director	Supervising and providing independent judgment to the Board	August 2019	August 2019	None
Ms. LIN Nan	52	Independent non-executive Director	Supervising and providing independent judgment to the Board	February 2022	February 2022	None
Ms. DING Hui . . .	55	Independent non-executive Director	Supervising and providing independent judgment to the Board	August 2019	August 2019	None
Mr. CHAN Chi Kong	57	Independent non-executive Director	Supervising and providing independent judgment to the Board	January 2024	January 2024	None

DIRECTORS

Executive Director

Mr. XIAO Guowei David (肖国偉), aged 56, is an executive Director, the chairperson of the Board and the chief strategic officer of our Company. Mr. Xiao co-founded Advanced Photoelectronic and our Group. He served as the chairperson of the board and general manager of our Company from August 2006 to October 2015, and the chairperson of the board and president of our Company from October 2015 to March 2023. Mr. Xiao currently holds directorship at other subsidiaries within our Group.

Mr. Xiao has more than 25 years of professional experience in advanced semiconductor packaging, microelectronics manufacturing process, optoelectronic semiconductors, materials and reliability analysis. Prior to establishment of our Company, he founded Advanced Photoelectronic in February 2003 and has since served as a director of Advanced Photoelectronic. Before that, he taught at the Faculty of Electronic and Information Engineering (電子與信息學部) (formerly known as the Department of Electronic Engineering (電子工程系)) of Xi'an Jiaotong University (西安交通大學) from July 1990 to February 1998, with his last position as a lecturer, and served as a senior technology officer in the Department of Electronic and Computer Engineering at the Hong Kong University of Science and Technology from March 2002 to August 2004. He currently also serves as the chairperson of the board of AccoPower Semiconductor Co., Ltd. (廣東芯聚能半導體有限公司) ("**AccoPower**") *(Note)* and AscenPower Semiconductor Co., Ltd. (廣東芯粵能半導體有限公司) ("**AscenPower**") *(Note)*, both silicon carbide (SiC) and power semiconductor developers and manufacturers.

Mr. Xiao obtained his bachelor's degree in electronic engineering in 1990 and his master's degree of engineering in June 1997 from Xi'an Jiaotong University in the PRC, and obtained his doctorate degree of philosophy in electronical and electronic engineering from the Hong Kong University of Science and Technology in November 2002 in Hong Kong. He was certified as a professorate senior researcher (正高級研究員) in optoelectronic technology by the Human

Note:

As of the Latest Practicable Date, (i) AccoPower was owned as to approximately 41.68% by Mr. Xiao indirectly through his controlled entities, 7.45% by Geely Holding indirectly through its subsidiaries, 50.87% by 28 institutional and/or private investors, each an Independent Third Party holding less than 10% therein; and (ii) AscenPower was owned as to 40% by AccoPower, 40% by Viridi E-Mobility Technology (Ningbo) Co., Ltd. (威睿電動汽車技術(寧波)有限公司), a member of Geely Group, and 20% by an entity controlled by Mr. Xiao. To the best of our knowledge and belief, other than the directorship and shareholdings of Mr. Xiao held in these companies and the historical leasing transaction (for details of which, see Note 36 to the Accountants' Report of the Group in Appendix IA to this prospectus) entered in the ordinary course of business on normal commercial terms, there is not any past or present relationship (including family, employment, business, financing or otherwise) between the Group and AccoPower and AscenPower.

Resources and Social Security Department of Guangdong Province in December 2020. He is currently a member of the Guangzhou Municipal People's Political Consultative Conference, the vice president of the China Solid State Lighting Alliance (國家半導體照明工程研發及產業聯盟), and the president and a society expert (學會專家) of Guangdong Illuminating Engineering Society. He has been selected for the Quality Migrant Admission Scheme (優秀人才入境計劃) by the Immigration Department of the Government of Hong Kong in December 2002, and for the first batch of Leading Talents in Innovation and Entrepreneurship in Guangzhou (廣州市創新創業領軍人才) by the Guangzhou Liaising Group for Talents (廣州市人才工作協調小組) in February 2011. He has also been recognized as an Innovative Talent of the Overseas Chinese Contribution Award (中國僑界貢獻獎創新人才) by the All-China Federation of Returned Overseas Chinese (中華全國歸國華僑聯合會) in September 2016, as a Guangzhou High-caliber Talent (Distinguished Expert) (廣州市高層次人才(傑出專家)) by the Guangzhou Steering Group for Talents (廣州市人才工作領導小組) in August 2019, and as an Honorary Citizen (榮譽市民) by the 15th Standing Committee of the Guangzhou City People's Congress in November 2021. He was awarded the Second Prize of the Guangdong Province Science and Technology Award (廣東省科學技術獎) by the Guangdong government in February 2015, the Third Prize of the Guangdong Provincial Science and Technology Award by the Guangdong government in April 2014, and the Second Prize of the Guangzhou Municipal Science and Technology Award (廣州市科學技術獎) by the Guangzhou government in May 2015.

Non-executive Directors

Mr. CHAN Philip Ching Ho (陳正豪), aged 75, is a non-executive Director of our Company. He served as a Supervisor of our Company from August 2006 to April 2014. Mr. Chan co-founded Advanced Photoelectronic and our Group, and has served as a director of Advanced Photoelectronic since June 2004.

Mr. Chan is a distinguished leader in the semiconductor industry with more than 50 years of academic research and industrial application experience. He commenced his career in University of Illinois, Urbana-Champaign and served as a visiting assistant professor from 1978 to 1981. From March 1990 to March 1991, he worked at Intel Corporation, a company listed on the NASDAQ Stock Market (ticker symbol: INTC), where he last served as a principal engineer and senior project manager. Mr. Chan joined the Hong Kong University of Science and Technology in April 1991 and served as a professor and the head of the Department of Electronic and Computer Engineering, the director of Nanoelectronics Fabrication Facility and the dean of the School of Engineering. From March 2010 to February 2020, he served as a deputy president and provost at the Hong Kong Polytechnic University. From his retirement in March 2020 to August 2021, he served as a senior advisor to the president and provost of the Hong Kong Polytechnic University and has served as a senior advisor to the deputy president and provost of the Hong Kong Polytechnic University since September 2021. From April 2023 to August 2024, he served as a team leader (special duty) at the Innovation and Technology Commission of the Hong Kong Government. Since September 2024, he has been a chairman of board of Microelectronics Research and Development Institute of the Hong Kong Government. Mr. Chan has served as an independent non-executive director of Solomon Systech (International) Limited, a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 2878), since December 2020.

Mr. Chan obtained his bachelor of science in electrical engineering from University of California at Davis in June 1973 in the United States, his master of science in electrical engineering and doctor in electrical engineering both from University of Illinois at Urbana-Champaign in the United States in October 1975 and October 1978, respectively. He has been a fellow member of the Hong Kong Institution of Engineers since December 1995. He was qualified as a fellow of the Institute of Electrical and Electronics Engineering in January 2007 and a fellow of the Hong Kong Academy of Engineering Sciences in December 2013. He was awarded the Bronze Bauhinia Star by the Hong Kong Government in Hong Kong in July 2013. From October 2008 to October 2016, Mr. Chan served as a director of the Hong Kong Applied Science and Technology Research Institute. He currently also 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. YUAN Lie Ming Peter (袁立明), aged 75, is a non-executive Director of our Company. Mr. Yuan has served as a director of Advanced Photoelectronic and of our Company since December 2009.

Mr. Yuan has extensive experience in financial investment. He has been a private investor and invested in Advanced Photoelectronic in June 2006, and has principally invested in monetary and financial futures, private equity and real estate in Hong Kong.

Mr. Yuan graduated from Pui Ching Middle School (香港培正中學) in July 1968 in Hong Kong.

Mr. WU Nan-Yang (吳南陽), aged 65, is a non-executive Director of our Company. He has served as a director of Advanced Photoelectronic since March 2010.

Mr. Wu has more than 40 years of experience in technologies and investment. From March 1984 to July 1986, he served as an associate engineer (副工程師) at Yulon Motor Co., Ltd. (裕隆汽車製造股份有限公司), a company listed on the Taiwan Stock Exchange (stock code: 2201). He worked at the Opto-Electronic and Systems Laboratory of Industrial Technologies Research Institute (工業技術研究院光電工業研究所) in Taiwan from October 1987 to July 1997, with his last position as an engineer (正工程師). He served as an executive vice president of Fortune Consultant Group, Inc. (富鑫顧問股份有限公司) in Taiwan from July 1997 to October 2001. He has served as a non-executive director of Edison Opto Corporation (艾笛森光電股份有限公司), a company listed on the Taiwan Stock Exchange (stock code: 3591), since June 2013, and a non-executive director of Wafer Works Corporation (合晶科技股份有限公司), a company listed on the Taiwan Stock Exchange (stock code: 6182), since March 2017.

Mr. Wu obtained his bachelor's degree in mechanical engineering from National Taiwan University (國立台灣大學) in June 1981 in Taiwan, and his master of science in Mechanical Engineering from Stanford University in June 1987 in the United States.

Mr. ZHENG Xin (鄭鑫), aged 42, is a non-executive Director of our Company.

Mr. Zheng has served as the general manager of Yaoning Technology since December 2020, the chairman of the board of Jiangxi Anchi New Energy Technology Co., Ltd. (江西安馳新能源科技有限公司) since January 2022, the director of Jiangsu ChengXing Phosph-Chemicals Co., Ltd. (江蘇澄星磷化工股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600078.SH), since November 2022, and a vice president and the chief strategy officer of Geely Holding since August 2024.

Independent Non-executive Directors

Ms. ZHANG He (張禾) (with former name as ZHANG Xiaomiao (張曉苗)), aged 60, is an independent non-executive Director of our Company.

Ms. Zhang has worked at Xi'an Jiaotong University since July 1985 and has been an associate professor in accounting since June 2001. She served as an independent director and the chairperson of audit committee of Xi'an Typical Industries Co., Ltd. (西安標準工業股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600302.SH), from March 2014 to July 2020, an independent director of Shaanxi Tongyuan Natural Gas Co., Ltd. (陝西通源天然氣股份有限公司), a company listed on the NEEQ (stock code: 838687), from December 2021 to December 2022. She has served as an independent director and the chairperson of audit committee of Autobio Diagnostics Co., Ltd. (鄭州安圖生物工程股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603658.SH), since October 2018, an independent director of Xi'an Kaitian Railway Electric Co., Ltd. (西安開天鐵路電氣股份有限公司), a company listed on the NEEQ (stock code: 835196), since December 2020, an independent director of Xi'an Tianli Clad Metal Materials Co., Ltd. (西安天力金屬複合材料股份有限公司), a company listed on the Beijing Stock Exchange (stock code: 873576.BJ), since September 2022, and an independent director and the chairperson of audit committee of Kontour (Xi'an) Medical Technology Co., Ltd. (西安康拓醫療技術股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 688314.SH), since September 2022.

Ms. Zhang obtained her bachelor's degree in mechanical manufacturing process equipment and automation in July 1985, her master's degree in law in June 1991 and her doctorate degree in business administration in March 2009, all from Xi'an Jiaotong University in the PRC.

Ms. LIN Nan (藺楠), aged 52, is an independent non-executive Director of our Company.

Ms. Lin was a visiting student to the University of Sydney from September 2002 to December 2002. From April 2004 to June 2006, Ms. Lin conducted her postdoctoral research at the School of Public Policy & Management of Tsinghua University (清華大學公共管理學院). She joined the Shanghai University of Finance and Economics (上海財經大學) as an associate professor of the College of International Business Administration (currently known as the College of Business) in July 2006, and has served as a professor of the College of Business since June 2012. From March 2009 to March 2010, Ms. Lin was also a visiting scholar to Harvard Business School. Ms. Lin has also served as an independent director of Shanghai Film Co., Ltd. (上海電影股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601595.SH), since October 2024.

Ms. Lin obtained her bachelor's degree in industrial electrical automation in July 1994, her master's degree in management science and engineering in June 1999, and her doctorate degree in management in December 2004, all from Xi'an Jiaotong University in the PRC.

Ms. Lin served as an independent director of Bright Oceans Inter-Telecom Corporation ("**Bright Oceans**") (億陽信通股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600289.SH), from March 2015 to March 2017. In December 2019, the Shanghai Stock Exchange issued a discipline decision (the "**Discipline Decision**") against Bright Oceans, its controlling shareholder and several then directors and officers of Bright Oceans, including a public criticism against Ms. Lin who was an independent director at the time of the incident. The Discipline Decision cites a series of violations by Bright Oceans, its controlling shareholder and actual controller: (i) the controlling shareholder of Bright Oceans illegally occupied vast amount of funds of Bright Oceans, (ii) Bright Oceans failed to comply with the regulatory procedures and to timely disclose the connected guarantees provided in favor of its controlling shareholder and its related parties, (iii) Bright Oceans issued inaccurate 2017 results estimate, and (iv) there were material deficiencies in the internal control of Bright Oceans and the reporting accountant issued qualified opinion on 2017 financial report of Bright Oceans (the "**Incidents**").

Notwithstanding the Discipline Decision involving Ms. Lin, the Directors (other than Ms. Lin) are of the view, the Sole Sponsor concurs, that Ms. Lin has the experience, knowledge and skills required for a director of a listed company and is therefore suitable to be a Director pursuant to Rules 3.08 and 3.09 of the Listing Rules having considered: (i) the public criticism was not an administrative penalty, but a disciplinary action imposed by the Shanghai Stock Exchange which was of a relatively minor nature; (ii) according to the Discipline Decision, there is no finding of fraud or dishonesty against Ms. Lin herself, nor does it raise any concern on the integrity of Ms. Lin, which would affect her suitability as a director of a listed company. The Discipline Decision was issued against Ms. Lin mainly due to her director responsibility for supervising the operations of Bright Oceans rather than her personal dishonesty; (iii) Ms. Lin has not been disqualified from acting as a director of listed company as a result of the Incident; (iv) to the best knowledge of our Company and as confirmed by Ms. Lin, she does not have any other non-compliance record; (v) Ms. Lin as an independent director of Bright Oceans was not involved in the day-to-day management of Bright Oceans and was not directly involved in the Incidents. In addition, as confirmed by Ms. Lin, as she resigned in March 2017, she was not involved in the reviewing and approval of either the 2016 annual report or the 2017 annual report, which were published in or after March 2017; and (vi) Ms. Lin has received directors' training in connection with, among other things, the duties of directors under the Listing Rules.

Ms. DING Hui (丁暉), aged 55, is an independent non-executive Director of our Company.

Ms. Ding has taught at the School of Electrical Engineering at Xi'an Jiaotong University since 1996 and has served as a professor and doctoral advisor since March 2010.

Ms. Ding obtained her bachelor's degree of engineering from Xi'an University of Technology (西安理工大學) (formerly known as Shaanxi Institute of Mechanical Engineering (陝西機械學院)) in July 1991 in the PRC, and her master's degree of engineering in June 1996 and her doctorate degree of engineering in June 2004, both from Xi'an Jiaotong University in the PRC.

Mr. CHAN Chi Kong (陳志光), aged 57, is an independent non-executive Director of our Company.

Mr. Chan has substantial experience in auditing, accounting, corporate finance, investment, company secretarial practice, business development and general management. He commenced his career by serving as a staff accountant and audit senior of PricewaterhouseCoopers (formerly known as Price Waterhouse) from July 1989 to March 1993. His other major experience includes serving as an executive and an assistant manager successively of the listing division of the Hong Kong Stock Exchange from July 1993 to July 1995, an investment analyst of Morgan Grenfell Investment Management (HK) Limited from July 1995 to June 1996, the financial controller of Vitasoy International Holdings Ltd., a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 345), from June 2000 to January 2006, the chief financial officer and the vice president (China) of MMG Limited (formerly known as Minmetals Resources Limited), a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 1208), from January 2008 to December 2010 and from January 2011 to March 2012, respectively, the deputy general manager — corporate planning of Chow Tai Fook Jewellery Group Limited, a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 1929), from May 2012 to August 2017, and the chief financial officer and company secretary of Chow Sang Sang Holdings International Limited, a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 116), from February 2020 to July 2023. Mr. Chan co-founded Impacts Technology Limited, a company principally engaged in development and provision of interactive e-learning solutions to corporates in February 2018. He has also served as an independent non-executive director of Solomon Systech (International) Limited, a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 2878), since November 2023.

Mr. Chan is actively engaged in public and community services. He served as the president of the Association of Chartered Certified Accountants (ACCA) Hong Kong from 2007 to 2008, an honorary advisor to Hong Kong Internet Registration Corporation Limited from 2007 to 2008, a member of the advisory board on business studies of Lingnan University from March 2002 to August 2012, an adjudicator of the Immigration Tribunal of the Hong Kong Government from October 2007 to September 2013, a member of the Financial Reporting Review Panel of the Accounting and Financial Reporting Council (formerly known as the Financial Reporting Council) from July 2010 to July 2015 and a member of the Accountancy Training Board under the Vocational Training Council from April 2017 to March 2023. He has also served as a member of the advisory committee for the College of Professional and Continuing Education (CPCE) of Hong Kong Polytechnic University since June 2023, and the convenor of Working Party on Seminars of the Accountancy Training Board since June 2023.

Mr. Chan obtained a professional diploma in accountancy in November 1989 and his bachelor of arts in accountancy in November 1994 from Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic) in Hong Kong, respectively. He also obtained a master of business administration in December 1996 from City University of Hong Kong in Hong Kong. He is a fellow member of each of ACCA, the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England and Wales, the Chartered Governance Institute and the Hong Kong Chartered Governance Institute, and a Chartered Financial Analyst (CFA) of the CFA Institute.

Each of our independent non-executive Directors has confirmed (i) his or her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he or she has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his or her independence at the time of his or her appointments.

Each of our Directors has confirmed that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules in January 2024, and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules.

BOARD OF SUPERVISORS

The following table sets forth certain information of our Supervisors:

Name	Age	Position	Principal roles and responsibilities	Date of joining our Group	Date of appointment as Supervisor	Relationship with other Directors, Supervisors and senior management
Mr. LI Wenhong . .	57	Chairperson of the Supervisory Committee	Supervising the Board and senior management as well as operation and financial activities of our Company	October 2018	October 2018	None
Ms. LUO Xiaoyun .	51	Supervisor	Supervising the Board and senior management as well as operation and financial activities of our Company	April 2020	April 2020	None
Mr. OU Weineng . .	42	Employee representative Supervisor	Supervising the Board and senior management as well as operation and financial activities of our Company	March 2008	October 2015	None

Mr. LI Wenhong (李文紅), aged 57, is the chairperson of our Supervisory Committee.

Mr. Li founded Shenzhen Goldstone Technology Co., Ltd. (深圳市石金科技股份有限公司), a company listed on the NEEQ (stock code: 833069) and formerly known as Shenzhen Goldstone Technology Ltd. (深圳市石金科技有限公司), in February 2005. He has served as an executive director since then and as the chairperson of the board since February 2015. He has also served as its general manager from February 2005 to December 2015 and since April 2017.

Mr. Li obtained his bachelor's degree in engineering in July 1988 from Xi'an Jiaotong University in the PRC. He was qualified as a senior engineer (高級工程師) by the Human Resources and Social Security Bureau of Shenzhen Municipality (深圳市人力資源和社會保障局) in June 2023. He was awarded the First Prize of Guangdong Province Science and Technology

Award by the Guangdong Government (廣東省人民政府) in February 2015, and the 2022 China Patent Excellence Award (中國專利優秀獎) by China National Intellectual Property Administration in July 2022.

Ms. LUO Xiaoyun (羅曉雲), aged 51, is a Supervisor of our Company.

From July 1997 to June 2002, Ms. Luo was employed at Guangzhou Foreign Economic Trading Affiance Investment Company (廣州對外經濟貿易投資公司). She worked at Guangdong Technology Venture Capital Co., Ltd. (廣東省科技風險投資有限公司) from June 2002 to April 2009, and at Guangdong Yueke Venture Capital Co., Ltd. (廣東粵科風險投資管理有限公司), formerly known as Guangdong Keying Investment Management Co., Ltd. (廣東科盈投資管理有限公司), from May 2009 to July 2017. Since July 2018, she has served as a senior manager of Guangdong Yueke Venture Capital Management Co., Ltd. (廣東粵科創業投資管理有限公司). Ms. Luo has also served as a director of Zhuhai Speedbird PVC Film Laminated METAL Sheet Co., Ltd. (珠海拾比佰彩圖板股份有限公司), a company listed on the Beijing Stock Exchange (stock code: 831768.BJ), since August 2017, as a director of Gd Sunlite Science & Technology Co., Ltd. (廣東信力科技股份有限公司), a company listed on the NEEQ (stock code: 838807), from January 2016 to December 2022, and as a director of Guangzhou Jeepine Intelligent Compression Molding Machine Co., Ltd. (廣州晶品智能壓塑科技股份有限公司), a company listed on the NEEQ (stock code: 833127), from September 2017 to July 2022.

Ms. Luo obtained her dual bachelor's degree in economics and engineering from Jinan University (暨南大學) in the PRC in June 1997.

Mr. OU Weineng (區偉能), aged 42, is the employee representative Supervisor of our Company. He is also the supervisor of Linlux.

After joining our Group in March 2008, Mr. Ou has served successively as a manager and deputy director of the product department of our Company from September 2008 to October 2016, and has successively served as the director of the LED product department of our Company since October 2016.

Mr. Ou obtained his bachelor's degree of science in July 2005 and his master's degree of science in June 2008, both from South China University of Technology (華南理工大學) in the PRC.

Save as disclosed in this prospectus, (i) none of our Directors and Supervisors had any other relationship with any Directors, Supervisors, senior management or Controlling Shareholders of our Company as of the Latest Practicable Date; (ii) none of our Directors and Supervisors held any directorship in any other listed companies in the three years immediately prior to the date of this prospectus; and (iii) as of the Latest Practicable Date, none of our Directors (other than our independent non-executive Directors) had interests in business, which competes or is likely to compete, either directly or indirectly with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

Save as disclosed herein, to the best knowledge, information and belief of our Directors and Supervisors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors and Supervisors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors and Supervisors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

SENIOR MANAGEMENT

The following table sets forth certain information of the senior management of the Group:

Name	Age	Position	Principal roles and responsibilities	Date of joining our Group	Date of appointment as Senior Management	Relationship with other Directors, Supervisors and senior management
Mr. XIAO Guowei David.	56	Chairperson of the Board, executive Director and chief strategic officer	Responsible for the management of the Board and the overall development strategies, business plans and major operational decisions of our Group	August 2006	August 2006	None
Mr. HOU Yu	54	President	Responsible for the overall management, operation and business development of our Group	October 2015	October 2015	None
Mr. ZENG Zhaoming.	56	Vice president and head of the R&D center	Responsible for the R&D, quality control and management of the new technology and products of our Group	October 2015	October 2015	None

Name	Age	Position	Principal roles and responsibilities	Date of joining our Group	Date of appointment as Senior Management	Relationship with other Directors, Supervisors and senior management
Ms. ZHOU Baiyun .	46	Vice president and financial controller	Responsible for the overall financial management, accounting and investment of our Group	August 2006	October 2015	None
Mr. ZHENG Longfeng	36	Board secretary	Responsible for overall corporate governance, information disclosure, investor relation and other Board-related matters	November 2021	December 2021	None

Mr. XIAO Guowei David (肖国偉) is the co-founder, an executive Director, the chairperson of the Board and the chief strategic officer of our Company. For the biographical details of Mr. Xiao, see "— Directors — Executive Director."

Mr. HOU Yu (侯宇), aged 54, is the president of our Company. Mr. Hou joined our Group in October 2015 and served as an executive vice president of our Company from October 2015 to February 2023, and as a director of Lynway Vision from July 2021 to December 2023. He has also served as the general manager of Linlux since September 2018 and the supervisor of Lynway Vision (Guangzhou) since June 2024.

Mr. Hou has more than 20 years of experience in the semiconductor and optoelectronic industries. Prior to joining our Group, Mr. Hou served as a process engineer, product engineer and manager of the production department of China Resources Semiconductor Co., Ltd. (華潤半導體有限公司) from June 1996 to December 2007. He successively served as a senior manager and a vice general manager of Advanced Photoelectronic from November 2007 to October 2015.

Mr. Hou obtained his bachelor's degree of engineering in July 1991 and his master's degree of engineering in June 1994, both from Xi'an Jiaotong University in the PRC. Mr. Hou was qualified as an intermediate engineer in electronic technology (中級工程師(電子技術)) by the Nansha District Human Resources and Social Security Bureau of Guangzhou city in October 2019. He was selected for the Guangzhou High-end Foreign (Overseas) Expert Recruitment Program (廣州市高端外國專家引進項目) by Guangzhou Foreign Expert Bureau (廣州市外國專家局) in December 2018. He was also awarded the Third Prize and Second Prize of the Guangdong Province Science and Technology Award by the Guangdong Government continuously in April

2014 and February 2015, and the Second Prize of the Guangzhou Municipal Award for Improvement in Science and Technology (廣州市科技進步二等獎) by the Guangzhou Government (廣州市人民政府) in May 2015.

Mr. ZENG Zhaoming (曾照明), aged 56, is a vice president of our Company.

Mr. Zeng has more than 20 years of experience in the semiconductor and optoelectronic industries. Prior to joining our Group, Mr. Zeng was a research assistant to the department of physics and materials science of the City University of Hong Kong from July 1998 to January 2000. From November 2001 to October 2007, he successively served as an engineer, a senior engineer, an engineering team leader and a manufacturing department deputy manager of China Resources Semiconductor Co., Ltd. (華潤半導體有限公司). From October 2007 to October 2015, he served as a director of the chip engineering department and the deputy general manager of Advanced Photoelectronic.

Mr. Zeng obtained his bachelor's degree of engineering in July 1990, his master's degree of engineering in March 1993 and his doctorate degree in engineering in December 1999, all from Harbin Institute of Technology (哈爾濱工業大學) in the PRC. He was named as an Industrial Leading Talent (leading talent in innovation) in Guangzhou (廣州市產業領軍人才(創新領軍人才)) by the Guangzhou Working Group for Talents (廣州市人才工作小組) in August 2018, a High-end Leading Talent in Guangzhou Nansha District (廣州南沙區高端領軍人才) by the Nansha Working Group for Talents (南沙人才工作小組) in July 2019, and a Guangzhou High-caliber Talent (Excellent Expert) (廣州市高層次人才(優秀專家)) by the Guangzhou Steering Group for Talents in February 2020. Mr. Zeng was awarded the Third Prize and Second Prize of Guangdong Province Science and Technology Award by the Guangdong Government in April 2014 and February 2015, respectively, and the Second Prize of the Guangzhou Municipal Award for Improvement in Science and Technology (廣州市科技進步獎) by the Guangzhou Government in May 2015.

Ms. ZHOU Baiyun (周白雲), aged 46, is a vice president and the financial controller of our Company. She is also the supervisor of Lynway Vision. Ms. Zhou joined our Group in August 2006 and successively served as the head of finance and the operating executive of finance department of our Company from August 2006 to September 2015, as a board secretary of our Company from May 2017 to December 2021, and as a director of Lynway Vision from October 2018 to December 2023. She has also held positions as the financial controller of Linlux since September 2018.

Prior to joining the Group, Ms. Zhou worked at Guangzhou Zhengtai Carton Co., Ltd. (廣州正泰紙箱有限公司) from June 2000 to August 2005 and from March 2006 to July 2006.

Ms. Zhou obtained her bachelor's degree in management from Tianjin University (天津大學) in the PRC in June 2008, and completed an executive master of business management full program (高級管理人員工商管理全課程項目) at South China University of Technology (華南理工大學) in the PRC in June 2019. Ms. Zhou was qualified as a board secretary of listed companies by the Shenzhen Stock Exchange in June 2019.

Mr. ZHENG Longfeng (鄭龍鋒), aged 36, is the board secretary and a joint company secretary of our Company.

Prior to joining our Group, from November 2011 to July 2014, Mr. Zheng worked at WUYIGE Certified Public Accountants LLP (Shanghai) (大信會計師事務所(特殊普通合夥)上海分所). He served as a senior manager of investment banking at Western Securities Co., Ltd. (西部證券股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002673.SZ), from November 2014 to September 2017. Mr. Zheng worked at Kaiyuan Securities Co., Ltd. (開源證券股份有限公司) from December 2017 to May 2018. He worked at Central China Securities Co., Ltd. (中原證券股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601375.SH) and the Main Board of the Hong Kong Stock Exchange (stock code: 1375), from July 2018 to February 2021, with his last position as a sponsor representative. Mr. Zheng served as a financial director and board secretary of Shanghai Enercomn Technology Co., Ltd. (上海能譽科技股份有限公司) from January 2021 to November 2021.

Mr. Zheng obtained his bachelor's degree in management in July 2011 from Southwest University of Political Science and Law (西南政法大學) in the PRC. He was certified as a securities professional and a sponsor representative by the Securities Association of China (中國證券業協會) in April 2015 and January 2021, respectively, and a certified public accountant by the Shanghai Institute of Certified Public Accountants (上海市註冊會計師協會) in May 2014.

JOINT COMPANY SECRETARIES

Mr. ZHENG Longfeng (鄭龍鋒) is the board secretary and a joint company secretary of our Company. For the biographical details of Mr. Zheng, see "— Senior Management."

Mr. CHUNG Ming Fai (鍾明輝), is a joint company secretary of our Company. He has over 18 years of experience in corporate secretary, mergers and acquisitions, financial reporting and auditing. Mr. Chung served as an audit junior at Henny Wee & Co., CPA from March 2004 to October 2004, as an audit semi-senior at K.W. Lau CPA Limited from November 2004 to January 2008, at KPMG from January 2008 to August 2011, with his last position held as a manager of audit, and at Sandmartin International Holdings Limited, a company listed on the Stock Exchange (stock code: 0482), from September 2011 to October 2021, with his last position held as the head of project management. Since June 2022, Mr. Chung has served as a vice president of the corporate secretarial department of SWCS Corporate Services Group (Hong Kong) Limited, and is mainly responsible for managing the company secretarial and compliance work for companies listed on the Stock Exchange.

Mr. Chung is currently a fellow member of the Hong Kong Institute of Certified Public Accountants and a certified practicing accountant of CPA Australia. He obtained a higher diploma in accountancy from City University of Hong Kong in Hong Kong in November 2002, and a bachelor of commerce in accounting and finance from the Australian National University in Australia in December 2003.

BOARD COMMITTEES

Our Company has established four Board Committees in accordance with the relevant PRC laws and regulations, the Articles and the corporate governance practice under the Listing Rules, namely the Strategy Committee, the Audit Committee, the Remuneration and Appraisal Committee and the Nomination Committee.

Strategy Committee

We have established a strategy committee (the "**Strategy Committee**"), which consists of five Directors, namely Mr. Xiao, Mr. Chan, Mr. Yuan, Mr. WU Nan-Yang and Ms. LIN Nan. Mr. XIAO Guowei David currently serves as the chairperson of the Strategy Committee. The primary duties of the Strategy Committee are as follows:

(i) studying and advising on our long-term development strategy;

(ii) studying and advising on major investment and financing schemes that require Board approval according to the Articles of Association;

(iii) studying and advising on major capital operation and assets management projects that require Board approval according to the Articles of Association;

(iv) studying and advising on other material matters that may influence the development of the Company;

(v) assessing and inspecting the implementation of the above issues after they have been approved by the Board and report back to the Board; and

(vi) handling other matters required by laws, regulations, rules, normative documents, regulatory rules of the jurisdictions where the Shares of our Company are listed, the Articles of Association or as authorized by the Board.

Audit Committee

We have established an audit committee (the "**Audit Committee**") in compliance with the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The Audit Committee consists of three non-executive Directors, namely Ms. ZHANG He, Ms. LIN Nan and Mr. CHAN Chi Kong. Ms. ZHANG He currently serves as the chairperson of the Audit Committee. The primary duties of the Audit Committee are as follows:

(i) to review significant financial policies of the Company and their implementation, and supervise the financial activities of the Company;

(ii) to review the financial information and relevant disclosures of the Company;

(iii) to supervise and evaluate the risk management and internal control of the Company;

(iv) to supervise and evaluate the work of internal audit of the Company and report to the Board;

(v) to propose the appointment or dismissal of an external accounting firm;

(vi) to facilitate communications and monitor the relationship between the internal audit department and the external accounting firm;

(vii) to monitor the non-compliance of the Company in respect of the financial reports and the risk management and internal control; and

(viii) other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the Shares of the Company are listed and the requirements of the Memorandum and the Articles of Association, and as authorized by the Board.

Remuneration and Appraisal Committee

We have established a remuneration and appraisal committee (the "**Remuneration and Appraisal Committee**") in compliance with the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The Remuneration and Appraisal Committee consists of three Directors, namely Ms. LIN Nan, Mr. Xiao and Ms. DING Hui. Ms. LIN Nan currently serves as the chairperson of the Remuneration and Appraisal Committee. The primary duties of the Remuneration and Appraisal Committee are as follows:

(i) to organize and formulate the remuneration policy and plan of Directors and senior management and submit to the Board for approval; and

(ii) other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the Shares of the Company are listed and the requirements of the Memorandum and the Articles of Association, and as authorized by the Board.

Nomination Committee

We have established a nomination committee (the "**Nomination Committee**") in compliance with the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The Nomination Committee consists of three Directors, namely Ms. DING Hui, Mr. Xiao and Ms. ZHANG He. Ms. DING Hui currently serves as the chairperson of the Nomination Committee. The primary duties of the Nomination Committee are as follows:

(i) to formulate procedures and standards for the election of Directors and senior management and make recommendations to the Board on the proposed procedures and standards;

(ii) to make recommendations to the Board on the nomination of candidates for Directors, Presidents and secretary of the Board;

(iii) to preliminarily examine the eligibility of candidates for Directors and senior management;

(iv) to make recommendations to the Board on the nomination of candidates for chairmen and members of the Board committees; and

(v) other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the Shares of the Company are listed and the requirements of the Memorandum and the Articles of Association, and as authorized by the Board.

BOARD DIVERSITY POLICY

Pursuant to our board diversity policy, selection of Board candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical capabilities, professional qualifications and skills, knowledge, length of service and other related factors. We will also consider our own business model and special needs. The ultimate selection of Director candidates will be based on merits of the candidates and contribution that the candidates will bring to our Board.

Our Board currently consists of three female Directors and six male Directors with a balanced mix of knowledge and skills, including but not limited to overall management and strategic development, finance, accounting and risk management. The Company is of the view that the Board satisfies our board diversity policy.

Our Nomination Committee is responsible for the implementation of our board diversity policy. Upon completion of the Listing, our Nomination Committee will review our board diversity policy from time to time to ensure its continued effectiveness and we will disclose the implementation of our board diversity policy in our corporate governance report on an annual basis.

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Directors, Supervisors and senior management members receive remuneration in the forms of salaries, allowances and benefits in kind, performance related bonuses, share-based payment expenses, and pension scheme contributions.

The aggregate amount of remuneration (including salaries, allowances and benefits in kind, performance related bonuses, share-based payment expenses, and pension scheme contributions) paid to our Directors and Supervisors for the three years ended December 31, 2021, 2022 and 2023 and the five months ended May 31, 2024 were approximately RMB4.1 million, RMB3.8 million, RMB5.0 million and RMB2.4 million, respectively.

Under the arrangements currently in force, the aggregate amount of remuneration (including any discretionary bonus which may be paid) payable by our Group to our Directors and Supervisors for the financial year ending December 31, 2024 is expected to be approximately RMB4.8 million.

The aggregate amount of salaries, allowances and benefits in kind, performance related bonuses, share-based payment expenses, and pension scheme contributions paid to the five highest-paid individuals of our Group for the three years ended December 31, 2021, 2022 and 2023 and the five months ended May 31, 2024 were approximately RMB9.3 million, RMB9.6 million, RMB12.0 million and RMB5.0 million, respectively.

During the Track Record Period, there was no remuneration paid or payable by our Company to our Directors, Supervisors or the five highest-paid individuals as an inducement to join or upon joining our Company. During the Track Record Period, there was no compensation paid or payable by our Company to our Directors, former Directors, Supervisors, former Supervisors or the five highest-paid individuals for the loss of any office in connection with the management of the affairs of any subsidiary of our Company.

During the Track Record Period, none of our Directors or Supervisors has waived or agreed to waive any remuneration or benefits in kind for the past three years. Save as disclosed above, there was no other payments paid or payable by our Company or any of our subsidiaries to our Directors, Supervisors or the five highest-paid individuals during the Track Record Period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

We are committed to achieving high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. To accomplish this, we expect to comply with the corporate governance requirements under the Corporate Governance Code and Corporate Governance Report as set out in Appendix C1 to the Listing Rules after the Listing.

SHARE INCENTIVE SCHEMES

For more information, please refer to "History, Development and Corporate Structure — Corporate Development — Issue and Allotment of New Shares" and "Appendix VI — Statutory and General Information — Further Information about Our Directors, Supervisors, Management and Substantial Shareholders — Share Incentive Schemes."

COMPLIANCE ADVISOR

We have appointed Maxa Capital Limited as our Compliance Advisor upon the Listing pursuant to Rule 3A.19 of the Listing Rules. The material terms of the compliance advisor's agreement are as follows:

(i) Maxa Capital Limited shall act as our Compliance Advisor for the purpose of Rule 3A.19 of the Hong Kong Listing Rules for a period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Hong Kong Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date, or until the agreement is terminated, whichever is earlier;

(ii) the Compliance Advisor will provide us with certain services, including proper guidance and advice as to compliance with the requirements under the Hong Kong Listing Rules and applicable laws, regulations and rules;

(iii) the Compliance Advisor will, as soon as reasonably practicable, inform us of any amendment or supplement to the Hong Kong Listing Rules announced by the Hong Kong Stock Exchange from time to time, and of any amendment or supplement to the applicable laws, regulations and rules in Hong Kong applicable to the Company; and

(iv) the Compliance Advisor will act as an additional channel of communication of the Company with the Hong Kong Stock Exchange.

OVERVIEW

Upon Listing, certain transactions between us and our connected persons, which are entered into in our ordinary course of business, will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

CONNECTED PERSONS

The following persons, among others, will become our connected persons upon Listing:

Name of our connected persons	Connected Relationship
Geely Group, including but not limited to Geely Automobile Holdings Limited (a company listed on the Stock Exchange (stock code: 175)), Lynk & Co Investment Co., Ltd., ZEEKR Intelligent Technology Holding Limited	Geely Holding is indirectly held as to over 50% by LI Shufu (李書福), the father-in-law of ZHENG Xin, our non-executive Director, and the father of LI Xingxing (李星星), who is a substantial shareholder of our Company by virtue of his interest in Yaoning Technology.
LI Shufu and his majority-controlled companies other than Geely Group, including Hangzhou Fenghua Technology Co., Ltd. (杭州楓華科技有限公司) and Zhejiang Geely Commerce Service Co., Ltd. (浙江吉利商務服務有限公司) (collectively, "**Li Connected Persons**") .	LI Shufu is the father-in-law of ZHENG Xin, our non-executive Director, and the father of LI Xingxing, who is a substantial shareholder of our Company by virtue of his interest in Yaoning Technology.

OUR CONTINUING CONNECTED TRANSACTIONS

Nature of transaction	Counterparty	Applicable Listing Rules	Waiver sought
Fully exempt continuing connected transactions			
1. Procurement of products and services	Li Connected Persons	14A.76(1)	N/A

Nature of transaction		Counterparty	Applicable Listing Rules	Waiver sought
Non-exempt continuing connected transactions (subject to reporting, annual review and announcement requirements)				
2.	Procurement of services	Geely Group	14A.35, 14A.76(2), 14A.105	Announcement requirement
Non-exempt continuing connected transactions (subject to reporting, annual review, announcement, circular and independent Shareholders' approval requirements)				
3.	Provision of intelligent automotive vision products and development services	Geely Group	14A.35, 14A.36, 14A.46, 14A.105	Announcement, circular and independent Shareholders' approval requirements

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

In the ordinary and usual course of business of our Group, we have procured certain products and services, including but not limited to travel agency services and office equipment, from Li Connected Persons. The pricing shall be on normal commercial terms and determined after an arm's length negotiations with reference to (i) the type of products or services procured, taken into account the nature, complexity and scope of services; (ii) the procurement volume; and/or (iii) the market price of similar products or services. The pricing terms are to be no less favorable to our Group than those for transactions between our Group and Independent Third Parties under the same conditions. As the highest applicable percentage ratios for each of the abovementioned transactions for the purpose of Chapter 14A of the Listing Rules will be less than 0.1% on an annual basis, each of such transactions will constitute a de minimis continuing connected transaction of our Company pursuant to Rule 14A.76(1) of the Listing Rules that will be fully exempt from reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION (SUBJECT TO REPORTING, ANNUAL REVIEW AND ANNOUNCEMENT REQUIREMENTS)

We have entered into the following transaction which, as our Directors currently expect, the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules will be more than 0.1% but less than 5% on an annual basis. Under Rule 14A.76(2) of the Listing Rules, this transaction will be subject to the reporting, annual review and announcement requirements under Chapter 14A of the Hong Kong Listing Rules but will be exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Procurement of services

Principal terms

On October 12, 2024, we entered into the procurement framework agreement with each of the respective members of Geely Group (the "**Procurement Framework Agreement**"), pursuant to which our Group may, from time to time, procure from Geely Group certain services and products, including but not limited to warehousing and other services, such as consultancy services for assistance in project application (the "**Procurement**"). The Procurement Framework Agreement has an initial term commencing on the Listing Date and ending on December 31, 2026, and may be renewed as the parties may mutually agree, subject to the compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

Reasons and benefits for the transactions

In our ordinary and usual business associated with the intelligent automotive vision projects with Geely Group, our Group has been procuring warehousing services from Geely Group to facilitate storage and regional delivery of relevant products to Geely Group. By storage of products at closer proximity to customers, such procurement improves our operational efficiency and flexibility of our service response, on the one hand, and improve the customer experience of Geely Group, on the other hand. We also procure other services through Geely Group to enjoy more favorable pricing terms given the enhanced economy of scale achieved by bulk procurement. Based on our experience in cooperations with Geely Group in respect of the Procurement, we consider that Geely Group is capable of effectively and stably satisfying our demands with quality services. Therefore, we believe it is in the interest of our Company and our Shareholders to enter into the Procurement Framework Agreement and to continue with the Procurement upon the Listing.

Pricing basis

The pricing for the warehousing services shall be determined based on arm's length negotiations between the parties with reference to market rates of similar services, taking into account factors such as storage time and space taken and type of products concerned.

For other services, Geely Group will charge us fees at the similar level charged to its affiliates, which shall be based on the cost it incurred, including but not limited to its administrative and labor costs.

The terms are to be no less favorable to our Group than those for transactions between our Group and Independent Third Parties under the same conditions. We will regularly review the prices charged by Geely Group in providing relevant services with reference to prevailing market prices of similar services to ensure they are on normal commercial terms and are fair and reasonable.

Historical amounts

	Historical amounts			
	For the year ended December 31,			For the five months ended May 31,
	2021	2022	2023	2024
	(RMB'000)			
Procurement fees recognized by our Group	666	1,788	2,911	1,949

Annual caps and basis of caps

The maximum aggregate annual procurement amounts in respect of the Procurement Framework Agreement for the three years ending December 31, 2024, 2025 and 2026 shall not exceed the caps set out below:

	Proposed annual caps (RMB'000) for the year ending December 31,		
	2024	2025	2026
Procurement fees to be paid by our Group	4,400	4,800	5,700

In arriving at the above annual caps, the Directors have considered, among other things,

(a) the historical transaction amounts and the growing trend during the Track Record Period;

(b) the estimated demand for the Procurement for the three years ending December 31, 2026, which is expected to continue to increase considering the production and sales plan of Geely Group and the robust expansion of our business. The increase in the annual caps for the Procurement as compared to the historical transaction amounts is primarily driven by the expected growth in demand for the warehousing services from Geely Group to cope with the projected increase in our sales to Geely Group, as (i) we have a number of intelligent automotive vision projects with Geely Group that commenced mass production in the second half of 2023, the production and sales of which would bring in significant increase in demand for warehousing services in 2024 and subsequent years as compared to the historical level, and (ii) the increase in number of new intelligent automotive vision projects secured or expected to be secured by our Group from Geely Group and the continued launch of new vehicle models by Geely Group will also lead to increasing sales of our intelligent automotive vision products which will require warehousing services from Geely Group; and

(c) the estimated unit prices of the Procurement determined based on the existing contracts or arrangements between our Group and Geely Group.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION (SUBJECT TO REPORTING, ANNUAL REVIEW, ANNOUNCEMENT, CIRCULAR AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS)

We have entered into the following transaction which, as our Directors currently expect, the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules will be more than 5% on an annual basis. Under Rule 14A.03 of the Listing Rules, this transaction will be subject to the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Provision of products and services

Principal terms

On October 12, 2024, we have entered into the products and services supply framework agreement with each of the respective members of Geely Group (the "**Supply Framework Agreement**"), pursuant to which our Group may, from time to time, provide Geely Group with our intelligent automotive vision products, including the relevant prototypes and spare parts, and development services. The Supply Framework Agreement has an initial term commencing on the

Listing Date and ending on December 31, 2026, and may be renewed as the parties may mutually agree, subject to the compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

Reason for the transactions

Our Group provides intelligent automotive vision solutions to Geely Group in our ordinary and usual business. Geely Group is a leading automobile manufacturer and manages several leading brands such as Geely Auto, Lynk & Co and ZEEKR. To cope with our strategic developments, it is natural and in the interest of our Group to cooperate with the leading players in the automotive industry such as Geely Group. We have established continuous and stable cooperation relationship with Geely Group since 2018. Through the cooperations, our Group and Geely Group have acquired a comprehensive understanding of the business and operational requirements of each other, which helped build mutual trust and reduced communication costs. The transactions also enable us to keep pace with the evolving markets so that we could consistently enhance our offerings to meet customers' demands. Considering the longstanding relationship and Geely Group's market position as well as its demand to transact with quality and reliable suppliers like our Group, we believe that entering into the Supply Framework Agreement would be mutually beneficial for our Group and Geely Group, and would be in the best interest of our Company and our Shareholders as a whole.

Pricing basis

The price of the transactions contemplated under the Supply Framework Agreement shall be determined after arm's length negotiations between the parties, and will generally be subject to the standard tender process of Geely Group to ensure it is competitive, on normal commercial terms, and also fair and reasonable.

The price shall be charged (i) in the form of unit price in respect of our intelligent automotive vision products or (ii) on project basis in respect of our development services. Given that our intelligent automotive vision products provided to Geely Group are tailored to its specification and requirements, market price is not considered appropriate as a pricing basis. We usually charge Geely Group fees determined with reference to a variety of factors such as the type and specification of products or services, our labor cost and costs of raw materials and production and price of competitive products. The terms are to be no less favorable to our Group than those for transactions between our Group and Independent Third Parties under the same conditions.

Historical amounts

	Historical amounts			
	For the year ended December 31,			For the five months ended May 31,
	2021	2022	2023	2024
	(RMB'000)			
Transaction amount recognized by our Group	50,600[1]	349,881	686,190	324,477

Note:

(1) we recorded lower transaction amount in 2021 as we provide intelligent automotive vision products to Geely Group through Lynway Vision, which became our subsidiary on September 30, 2021.

Annual caps and basis of caps

The maximum aggregate annual transaction amounts in respect of the Supply Framework Agreement for the three years ending December 31, 2026 shall not exceed the caps set out below:

	Proposed annual caps (RMB'000) for the year ending December 31,		
	2024	2025	2026
Transaction amount to be paid to our Group	1,081,000	1,218,000	1,255,000

In arriving at the above annual caps, the Directors have considered, among other things,

(a) the historical transaction amounts and the growing trend during the Track Record Period. In particular, the transaction amount increased significantly from 2021 to 2023, primarily because we commenced mass production for a number of intelligent automotive lamp projects in 2022 and 2023. In line with our business expansion and development, we expect such growing trend will continue;

(b) the estimated sales volume of our products and services under the Supply Framework Agreement for the three years ending December 31, 2026, which is expected to continue to increase primarily due to the projected increase in sales under our existing projects with Geely Group, based on the production plan of Geely Group and expansion of our production capacity, taking into account the historical growing trend of our sales of intelligent automotive vision products to Geely Group. As of May 31, 2024, among the 22 intelligent automotive vision projects we have secured in total, we have secured 21 intelligent automotive vision projects from Geely Group, among which we commenced mass production for 16 projects in or before 2023 and expect to commence mass production for the remaining five projects in 2024 and 2025. In addition, considering the continuing efforts of Geely Group in development and introduction of new models, we expect its demand for our intelligent automotive vision products as well as the number of projects granted by Geely Group to us will be increasing*(Note)*, which will become the additional driver of the increased annual caps;

(c) the estimated unit price of our intelligent automotive vision products to be provided to Geely Group determined based on the existing contracts or arrangements between our Group and Geely Group and taking into account various factors such as the new automobile models to be launched by Geely Group and product specifications;

(d) the estimated cost to be incurred for our development services to be provided to Geely Group with reference to the costs incurred during the Track Record Period, the expected increase in manpower and other costs and expenses, the market trends, taking into account factors such as the detailed aspects of automobile models; and

(e) the estimated revenue to be recognized based on the existing projects between our Group and Geely Group, mainly in respect of development of intelligent automotive vision products, the outstanding sum of which is expected to be recognized as our revenue in 2024 and 2025.

WAIVER APPLICATION FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Under Rule 14A.76(2) of the Listing Rules, the transaction under the subsection headed "— Non-exempt continuing connected transaction (subject to reporting, annual review and announcement requirements)" and the transaction under the subsection headed "— Non-exempt continuing connected transaction (subject to reporting, annual review, announcement, circular and independent Shareholders' approval requirements)" will constitute our continuing connected transactions subject to those requirements under Chapter 14A of the Listing Rules upon the Listing.

Note:

We expect that as compared with the year ended December 31, 2023, we will have five, five and six additional projects on an accumulative basis from Geely Group for each of the three years ending December 31, 2026, respectively. This includes five new projects for the two years ending December 31, 2025, and one additional new project for the year ending December 31, 2026.

As those non-exempt continuing connected transactions are expected to continue on a recurring and continuing basis and have been fully disclosed in this prospectus, our Directors consider that compliance with the announcement, circular and the independent Shareholders' approval requirements (as the case may be) would be impractical, and such requirements would lead to unnecessary administrative costs and would be unduly burdensome to us.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Stock Exchange has granted, waivers exempting us from strict compliance with (i) the announcement requirement under Chapter 14A of the Listing Rules in respect of the continuing connected transaction as disclosed in "— Non-exempt Continuing Connected Transaction (subject to reporting, annual review and announcement requirements)" in this section; and (ii) the announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transaction as disclosed in "— Non-exempt Continuing Connected Transaction (subject to reporting, annual review, announcement, circular and independent Shareholders' approval requirements)" in this section, subject to the condition that the aggregate amounts of the continuing connected transactions for each financial year shall not exceed the relevant amounts set forth in the respective annual caps (as stated above).

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this prospectus, we will take immediate steps to ensure compliance with such new requirements within reasonable time.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our independent non-executive Directors) are of the view that the non-exempt continuing connected transactions as set out above are in our ordinary and usual course of business and on normal commercial terms, and are fair and reasonable and in the interest of our Company and our Shareholders as a whole, and the proposed annual caps for those transactions are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor is of the view that the non-exempt continuing connected transactions as set out above are in the ordinary and usual course of business of our Company and on normal commercial terms, and are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and the proposed annual caps for those transactions are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

INTERNAL CONTROL MEASURES TO SAFEGUARD SHAREHOLDERS' INTERESTS

In order to further safeguard the interests of the Shareholders as a whole (including the minority Shareholders), our Group has implemented the following internal control measures in relation to the continuing connected transactions:

- Our Group has approved internal guidelines which provide that if the value of any proposed connected transaction is expected to exceed certain thresholds, the relevant staff must report the proposed transactions to the relevant responsible personnel in order for our Company to commence the necessary additional assessment and approval procedures and ensure that we will comply with the applicable requirements under Chapter 14A of the Listing Rules.

- Our Company will provide information and supporting documents to the independent non-executive Directors and the auditors in order for them to conduct an annual review of the continuing connected transactions entered into by our Company. In accordance with the requirements under the Listing Rules, the independent non-executive Directors will provide an annual confirmation to the Board as to whether the continuing connected transactions have been entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are in accordance with the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole, and the auditors will provide an annual confirmation to the Board as to whether anything has come to their attention that causes them to believe that the continuing connected transactions have not been approved by the Board, are not in accordance with the pricing policies of our Group in all material respects, are not entered into in accordance with the relevant agreements governing the transactions in all material respects or have exceeded the cap as stated above.

- When considering any renewal or revisions to the agreements after Listing, the interested Directors and Shareholders shall abstain from voting on the resolutions to approve such transactions at board meetings or shareholders' general meetings (as the case may be). If the independent Directors' or independent Shareholders' approvals cannot be obtained, we will not continue the transactions under the framework agreement(s) to the extent that they constitute non-exempt continuing connected transactions under rule 14A.35 of the Listing Rules.

OUR SHARE CAPITAL

This section presents certain information regarding our share capital before and upon completion of the Global Offering.

Immediately before the Global Offering

As of the Latest Practicable Date, the total share capital of our Company was RMB498,506,709, comprising 498,506,709 Shares of nominal value RMB1.00 each.

Upon the Completion of the Global Offering

Immediately following completion of the Global Offering and Conversion of Domestic Unlisted Shares into H Shares (assuming the Offer Size Adjustment Option is not exercised), the share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate percentage to total share capital
		(%)
Domestic Unlisted Shares	283,000,066	53.18
H Shares converted from Domestic Unlisted Shares	215,506,643	40.50
H Shares to be issued pursuant to the Global Offering	33,600,000	6.31
Total	**532,106,709**	**100**

The Conversion of Domestic Unlisted Shares into H Shares will involve an aggregate of 215,506,643 Domestic Unlisted Shares held by 32 out of 41 existing Shareholders, representing approximately 40.50% of total issued Shares of the Company upon completion of the Conversion of Domestic Unlisted Shares into H Shares and the Global Offering (assuming the Offer Size Adjustment Option is not exercised). Set out below are such Shares held by our existing Shareholders and their respective shareholding upon completion of the Conversion of Domestic Unlisted Shares into H Shares and the Global Offering (assuming the Offer Size Adjustment Option is not exercised).

	Shares immediately after the Global Offering (assuming the Offer Size Adjustment Option is not exercised) and the Conversion of Domestic Unlisted Shares into H Shares			
Shareholders	**H Shares to be converted from Domestic Unlisted Shares**	**Approximate Percentage**	**Domestic Unlisted Shares**	**Approximate Percentage**
		(%)		*(%)*
Advanced Photoelectronic	52,483,352	9.86	149,824,524	28.16
Jingyu Investment	5,789,000	1.09	8,316,000	1.56
Jingshi Investment	3,802,910	0.71	2,778,790	0.52
Jingling Investment	367,053	0.07	6,200,617	1.17
Jingrui Investment	1,082,520	0.20	4,196,808	0.79
Yaoning Technology	34,291,287	6.44	34,291,286	6.44
Yueke Investment	0	0.00	23,712,360	4.46
Dingdekai	11,280,000	2.12	7,520,000	1.41
Guangrong Lianmeng	12,000,000	2.26	0	0.00
FAN Wuzhou	10,000,000	1.88	1,000,000	0.19
Zhongbao Industrial	10,000,000	1.88	0	0.00
Zhongke Baiyun	4,969,638	0.93	4,969,637	0.93
YE Zhiyu	9,393,602	1.77	0	0.00
Xijiao Science Innovation	9,347,827	1.76	0	0.00
Guangdong Technology VC	0	0.00	8,695,653	1.63
Gossel	6,000,000	1.13	2,000,000	0.38
SME Fund	7,790,000	1.46	0	0.00
Yuecai Yuanhe	0	0.00	7,700,000	1.45
Yuecai Emerging	7,667,279	1.44	0	0.00
Shidiya	0	0.00	7,000,000	1.32
GAO Tao	1,500,000	0.28	3,500,000	0.66
Episky	4,678,240	0.88	0	0.00
Haohan Photoelectronic	4,205,600	0.79	0	0.00
Guanmaoyuan	2,010,000	0.38	1,341,304	0.25

Shareholders	H Shares to be converted from Domestic Unlisted Shares	Approximate Percentage	Domestic Unlisted Shares	Approximate Percentage
	Shares immediately after the Global Offering (assuming the Offer Size Adjustment Option is not exercised) and the Conversion of Domestic Unlisted Shares into H Shares			
		(%)		(%)
GUI Fan	2,100,000	0.39	900,000	0.17
Jiaoying Yihao	3,000,000	0.56	0	0.00
Jiamu Ronghe	2,488,486	0.47	0	0.00
ZHOU Baiyun	0	0.00	2,200,000	0.41
WANG Qi	1,800,000	0.34	200,000	0.04
HE Jinchun	2,000,000	0.38	0	0.00
GU Wenjun	2,000,000	0.38	0	0.00
LAI Canwei	0	0.00	1,826,087	0.34
DENG Zhifeng	1,700,000	0.32	0	0.00
Vision Capital	0	0.00	1,700,000	0.32
WANG Hongying	0	0.00	1,300,000	0.24
ZHOU Xiaoyang	650,000	0.12	650,000	0.12
HUANG Dinghe	600,000	0.11	400,000	0.08
LIU Jun	350,000	0.07	350,000	0.07
Yixingbanyue	0	0.00	427,000	0.08
YE Zhixiong	94,885	0.02	0	0.00
Chuangying Jianke	64,964	0.01	0	0.00
	215,506,643	**40.50**	**283,000,066**	**53.18**

Immediately following the completion of the Global Offering and Conversion of Domestic Unlisted Shares into H Shares, assuming the Offer Size Adjustment Option is fully exercised, the share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate % of the enlarged issued share capital after the Global Offering
Domestic Unlisted Shares	283,000,066	52.69
H Shares converted from Domestic Unlisted Shares	215,506,643	40.12
H Shares to be issued pursuant to the Global Offering	38,640,000	7.19
Total	**537,146,709**	**100**

DOMESTIC UNLISTED SHARES AND H SHARES

Upon the completion of the Global Offering and the Conversion of Domestic Unlisted Shares into H Shares, the Shares will consist of Domestic Unlisted Shares and H Shares. Domestic Unlisted Shares and H Shares are all ordinary Shares in the share capital of our Company.

Apart from certain qualified domestic institutional investors in the PRC, the qualified PRC investors under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities (such as our certain existing shareholders the Domestic Unlisted Shares held by whom will be converted into H Shares according to the filing information of CSRC), H Shares generally cannot be subscribed for by or traded between legal or natural PRC persons.

Domestic Unlisted Shares and H Shares shall rank *pari passu* with each other in all respects and, in particular, will rank equally for dividends or distributions declared, paid or made. All dividends for H Shares will be denominated and declared in Renminbi, and paid in Hong Kong dollars or Renminbi, whereas all dividends for Domestic Unlisted Shares will be paid in Renminbi. Other than cash, dividends could also be paid in the form of shares.

CONVERSION OF DOMESTIC UNLISTED SHARES INTO H SHARES

If any of the Domestic Unlisted Shares are to be converted, listed and traded as H Shares on the Hong Kong Stock Exchange, such conversion, listing and trading will need the filing of the relevant PRC regulatory authorities, including the CSRC, and the approval of the Hong Kong Stock Exchange.

File with the CSRC for Full Circulation

In accordance with the Overseas Listing Trial Measures and related guidelines, H-share listed companies shall file with the CSRC for the conversion of domestic unlisted shares into H shares for listing and circulation on the Hong Kong Stock Exchange. An unlisted domestic joint stock company may file for "full circulation" when applying for an overseas initial public offering.

We have filed with the CSRC for the conversion of 215,506,643 Domestic Unlisted Shares in aggregate into H Shares on a one-for-one basis ("**Conversion of Domestic Unlisted Shares into H Shares**") upon the completion of the Global Offering ("**Full Circulation Filing of the Company**") and CSRC issued the filing notices in respect of the Conversion of Domestic Unlisted Shares into H Shares dated June 1, 2024 and September 30, 2024, respectively.

Listing Approval by the Stock Exchange

We have applied to the Listing Committee of the Hong Kong Stock Exchange for the granting of listing of, and permission to deal in, our H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option), and the H Shares to be converted from 215,506,643 Domestic Unlisted Shares, on the Hong Kong Stock Exchange, which is subject to the approval by the Hong Kong Stock Exchange.

We will perform the following procedures for the conversion of Domestic Unlisted Shares into H Shares after receiving the approval of the Hong Kong Stock Exchange: (1) giving instructions to our H Share Registrar regarding relevant share certificates of the converted H Shares; and (2) enabling the converted H Shares to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in the CCASS.

RESTRICTION ON TRANSFER OF SHARES ISSUED PRIOR TO THE GLOBAL OFFERING

In accordance with Article 141 of the PRC Company Law, the shares issued prior to any public offering of shares by a company cannot be transferred within one year from the date on which such publicly offered shares are listed and traded on the relevant stock exchange. As such, the Shares issued by the Company prior to the Global Offering will be subject to such statutory restriction on transfer within a period of one year from the Listing Date. See "History, Development and Corporate Structure — Pre-IPO Investments."

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Pursuant to the PRC Company Law and the terms of the Articles of Association, our Company may from time to time by special resolution of shareholders, among others, increase its capital or decrease its capital or repurchase of shares. See "Appendix V — Summary of Articles of Association" in this prospectus.

So far as our Directors are aware, immediately following the completion of the Global Offering and the Conversion of Domestic Unlisted Shares into H Shares and without taking into account any H Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option, the following persons will have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company:

Shareholder	Nature of Interest	Number and Description of Shares[1]	Approximate Percentage of Shareholding in the Domestic Unlisted Shares/ H Shares shortly after the Global Offering	Approximate Percentage of Shareholding in the Total Issued Share Capital of our Company immediately after the Global Offering
			(%)	*(%)*
Advanced Photoelectronic[2][3]	Beneficial owner	149,824,524 Domestic Unlisted Shares	52.94	28.16
		52,483,352 H Shares	21.07	9.86
	Interest held jointly with other persons	21,492,215 Domestic Unlisted Shares	7.59	4.04
		11,041,483 H Shares	4.43	2.08
Jingyu Investment[2][3]	Beneficial owner	8,316,000 Domestic Unlisted Shares	2.94	1.56
		5,789,000 H Shares	2.32	1.09
	Interest held jointly with other persons	163,000,739 Domestic Unlisted Shares	57.60	30.63
		57,735,835 H Shares	23.18	10.85
Jingshi Investment[2][3]	Beneficial owner	2,778,790 Domestic Unlisted Shares	0.98	0.52
		3,802,910 H Shares	1.53	0.71
	Interest held jointly with other persons	168,537,949 Domestic Unlisted Shares	59.55	31.67
		59,721,925 H Shares	23.97	11.22

Shareholder	Nature of Interest	Number and Description of Shares[1]	Approximate Percentage of Shareholding in the Domestic Unlisted Shares/ H Shares shortly after the Global Offering	Approximate Percentage of Shareholding in the Total Issued Share Capital of our Company immediately after the Global Offering
			(%)	(%)
Jingling Investment[2][3]	Beneficial owner	6,200,617 Domestic Unlisted Shares	2.19	1.17
		367,053 H Shares	0.15	0.07
	Interest held jointly with other persons	165,116,122 Domestic Unlisted Shares	58.34	31.03
		63,157,782 H Shares	25.35	11.87
Jingrui Investment[2][3]	Beneficial owner	4,196,808 Domestic Unlisted Shares	1.48	0.79
		1,082,520 H Shares	0.43	0.20
	Interest held jointly with other persons	167,119,931 Domestic Unlisted Shares	59.05	31.41
		62,442,315 H Shares	25.07	11.73
Mr. Xiao[2][3][4]	Interest held jointly with other persons	171,316,739 Domestic Unlisted Shares	60.54	32.20
		63,524,835 H Shares	25.50	11.94
APTESS Company Limited[2][3]	Interest held jointly with other persons	171,316,739 Domestic Unlisted Shares	60.54	32.20
		63,524,835 H Shares	25.50	11.94
Mr. Chan[2][3][5]	Interest held jointly with other persons	171,316,739 Domestic Unlisted Shares	60.54	32.20
		63,524,835 H Shares	25.50	11.94
Ms. Loh[5]	Interest of spouse	171,316,739 Domestic Unlisted Shares	60.54	32.20
		63,524,835 H Shares	25.50	11.94

Shareholder	Nature of Interest	Number and Description of Shares[(1)]	Approximate Percentage of Shareholding in the Domestic Unlisted Shares/ H Shares shortly after the Global Offering	Approximate Percentage of Shareholding in the Total Issued Share Capital of our Company immediately after the Global Offering
			(%)	*(%)*
Mr. Yuan[(2)(3)]	Interest held jointly with other persons	171,316,739 Domestic Unlisted Shares	60.54	32.20
		63,524,835 H Shares	25.50	11.94
Giant Power Limited[(2)(3)]	Interest held jointly with other persons	171,316,739 Domestic Unlisted Shares	60.54	32.20
		63,524,835 H Shares	25.50	11.94
Yaoning Technology[(6)]	Beneficial owner	34,291,286 Domestic Unlisted Shares	12.12	6.44
		34,291,287 H Shares	13.77	6.44
Ningbo Chunhuaqiushi Technology Co., Ltd. (寧波春畫秋時科技有限公司) (“**Ningbo Chunhuaqiushi**”)[(6)]	Interest in a controlled corporation	34,291,286 Domestic Unlisted Shares	12.12	6.44
		34,291,287 H Shares	13.77	6.44
Ningbo Meishan Bonded Port Area Angbu Investment Co., Ltd. (寧波梅山保税港區昂步投資有限公司) (“**Angbu Investment**”)[(6)]	Interest in a controlled corporation	34,291,286 Domestic Unlisted Shares	12.12	6.44
		34,291,287 H Shares	13.77	6.44
Mr. LI Xingxing[(6)]	Interest in a controlled corporation	34,291,286 Domestic Unlisted Shares	12.12	6.44
		34,291,287 H Shares	13.77	6.44
Guangdong Yueke Finance Investment Co., Ltd. (廣東省粵科財政股權投資有限公司) (“**Yueke Investment**”)[(7)] . . .	Beneficial owner	23,712,360 Domestic Unlisted Shares	8.38	4.46

Shareholder	Nature of Interest	Number and Description of Shares[1]	Approximate Percentage of Shareholding in the Domestic Unlisted Shares/ H Shares shortly after the Global Offering	Approximate Percentage of Shareholding in the Total Issued Share Capital of our Company immediately after the Global Offering
			(%)	(%)
Guangdong Technology Financial Group Co., Ltd. (廣東省粵科金融集團有限公司) ("**Yueke Group**") [7]	Interest in a controlled corporation	32,408,013 Domestic Unlisted Shares	11.45	6.09
Guangdong Yuecai Investment Holding Co., Ltd. (廣東粵財投資控股有限公司) ("**Yuecai Holding**")[8]	Interest in a controlled corporation	15,522,243 H Shares	6.23	2.92
SU Yongchun (蘇永春)[9]	Interest in a controlled corporation	13,290,000 H Shares	5.34	2.50

Notes:

(1) All interests are long positions.

(2) As of the Latest Practicable Date, Advanced Photoelectronic was held as to (i) 10.50% by Mr. Xiao, (ii) 17.76% by APTESS, which is wholly owned by Mr. Xiao, (iii) 32.02% by Giant Power Limited, which is wholly owned by Mr. Yuan, (iv) 3.78% by Mr. Chan, (v) 1.62% by Ms. Loh, spouse of Mr. Chan, and (vi) 34.32% by other shareholders, none of which held more than one third therein.

(3) Pursuant to the acting-in-concert agreement dated January 1, 2021, Mr. Xiao, Mr. Chan, Mr. Yuan, APTESS and Giant Power Limited are parties acting in concert. Therefore, each of Mr. Xiao, Mr. Chan, Mr. Yuan, APTESS and Giant Power Limited is deemed to be interested in the interest of each other under the SFO.

(4) As of the Latest Practicable Date, Mr. Xiao was the general partner of Jingyu Investment, Jingling Investment, Jingrui Investment and Jingshi Investment. Therefore, Mr. Xiao is deemed to be interested in the 14,105,000, 6,567,670, 5,279,328 and 6,581,700 Shares held by each of Jingyu Investment, Jingling Investment, Jingrui Investment and Jingshi Investment in the Company. Pursuant to the acting-in-concert agreement dated December 8, 2023, Advanced Photoelectronic, Jingyu Investment, Jingling Investment, Jingrui Investment and Jingshi Investment are parties acting in concert. Therefore, each of Advanced Photoelectronic, Jingyu Investment, Jingling Investment, Jingrui Investment and Jingshi Investment is deemed to be interested in the interest of each other under the SFO.

(5) Mr. Chan and Ms. Loh are spouses, and hence are deemed to be interested in the interest of each other under the SFO.

(6) As of the Latest Practicable Date, Yaoning Technology was owned as to 85% by Ningbo Chunhuaqiushi, which was owned as to 95% by Angbu Investment, which was in turn wholly owned by Mr. LI Xingxing. Therefore, each of Mr. LI Xingxing, Angbu Investment and Ningbo Chunhuaqiushi is deemed to be interested in the Shares held by Yaoning Technology.

(7) As of the Latest Practicable Date, Yueke Investment was wholly owned by Yueke Group, and Guangdong Technology Venture Capital Co., Ltd. (廣東省科技風險投資有限公司) ("**Guangdong Technology VC**") was owned as to 80% by Yueke Group. Therefore, Yueke Group is deemed to be interested in the Shares held by Yueke Investment and the 8,695,653 Shares held by Guangdong Technology VC.

(8) As of the Latest Practicable Date, Guangzhou Yuecai Yuanhe Venture Capital Partnership (Limited Partnership) (廣州粵財源合創業投資合夥企業(有限合夥)) ("**Yuecai Yuanhe**"), Guangdong Yuecai Emerging Industry Equity Investment Fund Partnership (L.P.) (廣東粵財新興產業股權投資基金合夥企業(有限合夥)) ("**Yuecai Emerging**"), Guangzhou Chuangying Jianke Investment Partnership (L.P.) (廣州創盈健科投資合夥企業(有限合夥)) ("**Chuangying Jianke**"), Guangdong SME Equity Investment Fund Limited (廣東中小企業股權投資基金有限公司) ("**SME Fund**") and Zhuhai Hengqin Yixingbanyue Investment Partnership (L.P.) (珠海橫琴依星伴月投資合夥企業(有限合夥)) ("**Yixingbanyue**") were private equity funds, the fund managers of which were all controlled by Yuecai Holding. Therefore, Yuecai Holding is deemed to be interested in the Shares held by each of Yuecai Yuanhe, Yuecai Emerging, Chuangying Jianke, SME Fund and Yixingbanyue.

(9) As of the Latest Practicable Date, SU Yongchun was the general partner of Xinyu Dingdekai Investment Management Center (Limited Partnership) (新餘鼎德凱投資管理中心(有限合夥)) ("**Dingdekai**") and Xinyu Guanmaoyuan Investment Management Center (Limited Partnership) (新餘官茂原投資管理中心(有限合夥)) ("**Guanmaoyuan**"). Therefore, SU Yongchun is deemed to be interested in the Shares held by Dingdekai and Guanmaoyuan.

For those who are directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of our Group, see "Appendix VI — Statutory and General Information — Further Information about Our Directors, Supervisors, Management and Substantial Shareholders — Substantial Shareholders."

Save as disclosed herein, our Directors are not aware of any other person who will, immediately following the Global Offering and the Conversion of Domestic Unlisted Shares into H Shares (and the offering of any additional H Shares pursuant to the Offer Size Adjustment Option), have an interest or short position in Shares or underlying Shares of the Company, which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company.

The following discussion and analysis should be read in conjunction with our consolidated financial statements included in "Appendix IA — Accountants' Report of the Group," together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with IFRS.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis that we make in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed in "Risk Factors" and "Forward-Looking Statements" and elsewhere in this prospectus.

OVERVIEW

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 by integrating 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. 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.

BASIS OF PRESENTATION

Our consolidated financial information has been prepared in accordance with IFRS issued by the International Accounting Standards Board. All IFRS effective for the accounting period commencing from January 1, 2023, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the historical financial information throughout the Track Record Period. The historical financial information has been prepared under the historical cost convention, except for certain financial assets which have been measured at fair value through profit or loss, or other comprehensive income.

The preparation of our consolidated financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to our consolidated financial information are disclosed in Note 3 of the Accountants' Report of the Group in Appendix IA.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, materially affected by a number of factors, many of which are beyond our control, including the following:

General Factors

- overall economic growth and conditions;
- technology development in the sectors in which we operate;
- competition we face in the sectors in which we operate;
- conditions of the end markets that we serve and the resulting fluctuations in customer demand; and
- relevant laws and regulations, government policies and initiatives.

Specific Factors

Besides the general factors affecting the industry, our business and results of operations are also affected by specific factors, including the following major factors:

Expansion of Customer Base and Strengthening of Customer Relationships

Our results of operations depend significantly on customer demand. We develop and design our LED products to satisfy the needs and preferences of our customers in various sectors. We build brand recognition by consistently delivering technically advanced products with superior performance. We also have a dedicated service team for our customers which is responsible for demand analysis, solution development, order delivery and after-sales service. Customer satisfaction helps us solidify relationships with existing customers and generate word-of-mouth effect which enable us to attract new customers. Our continual effort to expand our customer base and strengthen customer relationships has yielded strong top-tier customer coverage rates, and our end-customers include all of the top five TV brands globally, 50% of the top ten LED lighting companies globally, 70% of the top ten Tier-1 suppliers of automotive lamps and 40% of the top five domestic automotive OEMs. In addition, we have successfully developed 68, 63, 105 and 45 new customers in 2021, 2022, 2023 and the five months ended May 31, 2024, respectively.

Furthermore, the end markets in which we operate, including the intelligent automotive vision market, high-end lighting market and advanced display market, are characterized by the constant evolution of consumer demand and technologies. Our ability to timely identify market trends and develop innovative products that cater to the changing demands of our downstream markets is crucial to our continued success. As we continue to develop and launch products with market competitiveness, promote our brand and expand our sales and service network, we expect to expand our customer base and achieve revenue growth.

Expansion of Product Portfolio and Changes in Business Mix

Our ability to constantly introduce new products that meet the demand and preference of our customers is an important contributor to our growth. We plan to continually introduce new products to expand our product portfolio. We expect our revenue growth to be driven in part by the continued expansion of our product portfolio. 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.

Our results of operations may also be affected by changes in our business mix. During the Track Record Period, we operated in: (i) intelligent automotive vision, (ii) high-end lighting and (iii) advanced display. Our intelligent automotive vision business expanded substantially during the Track Record Period as we continued our transformation from a traditional LED manufacturer to an intelligent vision product and system provider that integrates "LED+" technologies, with the revenue from intelligent automotive vision 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, representing 5.3%, 28.3%, 41.5%, 36.1% and 43.4% of our total revenue during the same periods, respectively. At the same time, our profitability varied across different businesses, depending on the types of products we offered. During the Track Record Period, we expanded into high-tech, high-profit margin and high-growth potential products in high-end lighting and advanced display, such as horticultural lighting products and intelligent local dimming products, to capture a broader range of market opportunities, enhance the diversity of our product offerings and improve our profitability. As a result, both of our high-end lighting business and advanced display business recorded stable growth in gross profit margin during the Track Record Period. In 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, the gross profit margin of our high-end lighting business was 19.6%, 19.2%, 23.4%, 22.6% and 24.8%, respectively. The gross profit margin of our advanced display business was 9.6%, 10.7%, 16.4%, 16.4% and 15.7% in 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, respectively. The decrease in the gross profit margin of the advanced display business in the five months ended May 31, 2024 as compared to that of the same period in 2023 was primarily due to price adjustments on certain products. During the Track Record Period, our intelligent automotive vision business recorded a gross loss margin of 1.1% in 2021, and a gross profit margin of 17.5%, 14.9%, 10.2% and 15.3% in 2022, 2023 and the five months ended May 31, 2023 and 2024, respectively. The fluctuations were primarily because in 2021, our intelligent automotive vision business was in its early stage of development and in 2022 we started to benefit from the economies of scale as we commenced mass production for several intelligent automotive lamp projects. In 2023, we adopted a competitive pricing strategy to gain greater market share in response to the intense market competition. See "— Principal Components of Our Consolidated Statements of Profit or Loss — Gross Profit/(Loss) and Gross Margin." Any change in the structure of revenue contribution and profitability from our business may have a corresponding impact on our overall profitability.

Ability to Control Raw Material and Consumable Costs

Effective supply chain management is key to our financial performance. Our high degree of vertical integration significantly simplifies and streamlines our supply chain, lowering procurement costs while enhancing overall supply chain stability and quality. In 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, our cost of sales amounted to RMB1,160.1 million, RMB1,175.4 million, RMB1,519.0 million, RMB520.3 million and RMB688.9 million, respectively.

Raw material and consumable costs contributed to the majority of our cost of sales during the Track Record Period. We purchase a variety of raw materials and consumables for our production primarily including LED chips, leadframes, PCBs, automotive lamp modules, plastic particles, drivers and electronic components. In 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, our raw material and consumable costs that constitute the cost of sales represented 83.3%, 80.7%, 77.8%, 78.8% and 81.9% of our total cost of sales, respectively. The prices of our raw materials and consumables may fluctuate with market conditions. We have a dedicated team of supply chain experts that focuses on establishing and solidifying our relationship with suppliers. We have strengthened supply chain management by adopting measures such as expanding the supplier pool for main raw materials and consumables and implementing bidding processes for key raw materials and consumables. We also seek to enhance our bargaining power in raw materials and consumables purchases by leveraging our growing procurement scale and centralized procurement. In addition, leveraging our R&D capabilities, we are able to improve the utilization efficiency of raw materials and consumables and also improve our adaptability with a diverse range of raw materials and consumables.

We plan to continue to leverage our strong in-house production capabilities and optimize the production process in our manufacturing facilities through advanced, intelligent and automated manufacturing as well as energy-saving measures to reduce our unit production cost and strengthen our economies of scale. We believe our efficient supply chain management and production process enable us to quickly launch and upgrade products in response to customer demand. As we continue to increase our sales, we are committed to controlling our cost of sales to continually enhance our profitability level.

Continual Investment in R&D and Talents

Continual innovation and development of our products are crucial for us to meet our customers' needs and to maintain our market position in the LED intelligent vision industry. We developed our key technologies in-house to achieve rapid innovation through significant investment in R&D resources. Our technologies encompass fundamental technologies and product-specific technologies across our business. Meanwhile, we recruit and cultivate talented engineers and specialists to develop new technologies and strengthen our key technologies, enabling us to expand our competitive product offerings as well as upgrading existing product portfolios to achieve better performance and cost efficiency. In 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, our research and development costs were RMB62.0 million, RMB88.7 million, RMB87.2 million, RMB36.3 million and RMB37.6 million, representing 4.5%, 6.3%, 4.7%, 5.8% and 4.5% of our total revenue and 36.6%, 36.5%, 30.2%, 33.3% and 29.6% of our total expenses (the sum of selling and marketing expenses, administrative expenses, research and development costs and other expenses) during the same periods, respectively. The decrease in research and development costs as a percentage of the total revenue was primarily attributable to the increase in our sales volume. During the same periods, we introduced 1,220, 1,144, 1,653, 625 and 590 new products, respectively. We plan to continue investing in R&D and focusing on innovation strategies to support the long-term sustainable growth of our business, which will, in turn, enhance our competitiveness.

Efficiency in Selling and Marketing and Operation Management

Our results of operations depend partly on our ability to manage costs and expenses and improve our operational efficiency. We incurred selling and marketing expenses of RMB20.8 million, RMB30.0 million, RMB45.2 million, RMB16.4 million and RMB20.4 million in 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, representing 1.5%, 2.1%, 2.4%, 2.6% and 2.4% of our total revenue during the same periods, respectively. However, we managed to improve sales efficiency as our business continue to expand thanks to our lean and efficient sales team, who successfully facilitated the expansion of our customer base and strengthened our customer relationships. See "— Expansion of Customer Base and Strengthening of Customer Relationships" above. In addition, we have effectively managed our administrative expenses through budget management. During the Track Record Period, our administrative expenses remained relatively stable, which accounted for 5.7%, 7.1%, 6.4%, 6.4% and 7.1% of our revenue in 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, respectively. We plan to continue offering high-quality training to our employees to enhance their technical skills. We believe that our investments in human resources will allow us to increase the revenue and enhance the overall productivity, which in turn will have a positive effect on our results of operations. As we continue to expand our business scale, we are committed to optimizing operational management and controlling operational expenses to continually improve our operational efficiency.

Industry Collaboration and Strategic Partnerships

We collaborate with various business partners in various industries to carry out our operations, and many of our business partners are our customers. Maintaining and strengthening collaborations with existing business partners and developing relationships with potential business partners are crucial to our market share, revenue and future expansion, whilst our ability to achieve these in a cost-efficient manner affects our profitability. We have established strategic partnerships with Geely Holding, Epistar Corporation, Signify, Hisense and Skyworth. Under such partnerships, we have established various in-depth collaborations in multiple areas, including the development of intelligent automotive lamps, high-end lighting devices and modules, the procurement of LED chips and the establishment of joint laboratories. See "Business — Sales and Marketing — Relationship with Geely Related Group." Notably, through our strategic partnerships with Geely Holding, we jointly established Lynway Vision in 2018 and subsequently acquired a controlling interest in 2021. See "History, Development and Corporate Structure — Major Acquisitions, Disposals and Mergers — Acquisition of Lynway Vision." Our acquisition and consolidation of Lynway Vision greatly enhanced our intelligent automotive vision offerings and our vertical integration capabilities. Maintaining long-term and stable relationships with these strategic partners is important for our ongoing and future operations and expansion. We believe that we are well-positioned to further expand our operations along with our industrial value chains by leveraging our existing capabilities and resources.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

We have identified certain accounting policies and estimates which we consider significant in the preparation of our financial statements in accordance with IFRS. These material accounting policy information are set forth in Note 2.3 to the Accountants' Report of the Group in Appendix IA to this prospectus, which are important for an understanding of our financial condition and results of operations.

Some of our accounting policies involve subjective assumptions, estimates and judgments that are discussed in Note 3 of the Accountants' Report of the Group in Appendix IA to this prospectus. The preparation of our financial statements requires our management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and their accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amounts of our assets or liabilities in the future.

Our management has identified below the accounting policies, estimates and judgments that they believe are critical to the preparation of our financial statements.

Revenue Recognition

Revenue from Contracts with Customers

We derive our revenue from the sales of our intelligent automotive vision products, high-end lighting products and advanced display products.

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which our Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated as that which our Group will be entitled to in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty regarding the variable consideration is subsequently resolved.

Sales of Intelligent Vision Products and Systems

Revenue from the sale of intelligent vision products and systems is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the products and systems.

Rendering of services

Revenue from the services is primarily generated through the development of several intelligent automotive projects, and is recognized at a point in time as the control of services is delivered to the customer.

Other Income

Interest income is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Rental income is recognized on a time proportion basis over the lease terms.

Government Grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual installments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Property, Plant and Equipment and Depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, our Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on a straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	4.75% to 4.85%
Machinery and others	9.50% to 32.33%
Leasehold improvements	Over the shorter of the lease terms and 33.33%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at the end of each period of the Track Record Period.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average cost basis and, in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal. The amount of write-down of inventories to net realisable value and all losses of inventories are recognised as other expenses in the period the write-down or loss occurs.

Provision for Expected Credit Losses on Trade and Bills Receivables and Contract Assets

Our Group uses a provision matrix to calculate expected credit losses ("**ECLs**") for trade and bills receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on our Group's historical observed default rates. Our Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecasted economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year and which could lead to an increased number of defaults, the historical default rates are adjusted. At the each period of the Track Record Period, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation among historical observed default rates, forecasted economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecasted economic conditions. Our Group's historical credit loss experience and forecasted economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on our Group's trade and bills receivables is disclosed in Note 19 to the Accountants' Report of the Group in Appendix IA to this prospectus.

Share-Based Payments

Our Company operates a share award scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted.

The cost of equity-settled transactions is recognized in employee benefit expense, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at the end of each period of the Track Record Period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognized as of the beginning and end of each period of the Track Record Period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognized. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the canceled award, and is designated as a replacement award on the date that it is granted, the canceled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of our Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of our Group's cash-generating units, or groups of cash-generating units ("**CGU**"), that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of our Group are assigned to those units or groups of units.

Impairment Testing of Goodwill

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Goodwill acquired through business combinations is allocated to the following CGU for impairment testing due to the acquisition of Lynway Vision:

Lynway Vision manufacturing and sales CGU

The recoverable amount of the Lynway Vision manufacturing and sales CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a 5-year period approved by senior management.

Assumptions were used in the value in use calculation of the Lynway Vision manufacturing and sales CGU for the end of each of the Relevant Periods. The following are the key assumptions on which management has based to undertake impairment testing of goodwill:

	As of 31 December			As of 31 May
	2021	2022	2023	2024
Compound growth rate of revenue over the forecast period	71.0%	34.4%	12.8%	8.6%
Pre-tax discount rate	14.1%	15.2%	14.6%	14.1%
Terminal growth rate	2.5%	2.5%	2.5%	2.5%

Compound growth rate of revenue — The basis is determined with reference to the average revenue achieved in the years before the budgeted year, increased for management's expectation of the future market.

Pre-tax discount rate — The discount rate used is before tax and reflects specific risks relating to the relevant unit.

Terminal growth rate — The basis is determined with reference to the long-term Customer Price Index of China and the nature of the business.

The values assigned to the key assumptions on compound growth rate of revenue, discount rate and terminal growth rate are consistent with external information sources.

The fluctuation of the compound growth rate of revenue during the Relevant Periods is mainly attributed to the fact that Lynway Vision was in its initial stage in 2021 and before. With the production of intelligent automotive vision production line and the increase of mass production orders, Lynway Vision had achieved significant growth during the Relevant Periods. The Company has taken a cautious estimate that the growth rate of revenue is expected to slow down compared to the initial stage in 2021 and before.

Impairment review on the goodwill of the Group has been conducted by management as of December 31, 2021, 2022, 2023 and May 31, 2024 according to IAS 36 "Impairment of assets". The headroom measured by the excess of the recoverable amount over the carrying amount of Lynway Vision manufacturing and sales CGU was RMB80,116,000, RMB124,642,000, RMB117,663,000 and RMB109,166,000 as of December 31, 2021, 2022, 2023 and May 31, 2024, respectively. Based on the results of the impairment assessments, no impairment loss on the goodwill relating to Lynway Vision manufacturing and sales CGU was recognised as of December 31, 2021, 2022, 2023 and May 31, 2024.

The Group performed the sensitivity analysis based on the assumption that the pre-tax discount rate and the compound growth rate of revenue has been changed. Had the estimated key assumption during the forecast period been changed as below, the headroom would have decreased to the following:

	As of 31 December			**As of 31 May**
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Compound growth rate of revenue decreases by 3%	22,138	53,238	27,241	32,027
Pre-tax discount rate increases by 1%	35,221	83,557	77,693	72,004

Considering that there was sufficient headroom based on the assessment, the directors of the Company believe that any reasonably possible change in any of the key assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount.

PRINCIPAL COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table summarizes our results of operations for the periods indicated:

	Year ended December 31,			Five months ended May 31,	
	2021	2022	2023	2023	2024
	(RMB in thousands)				
				(unaudited)	
Revenue	1,388,380	1,410,632	1,858,032	624,617	843,193
Cost of sales	(1,160,102)	(1,175,447)	(1,519,021)	(520,307)	(688,947)
Gross profit	**228,278**	**235,185**	**339,011**	**104,310**	**154,246**
Other income and gains	58,425	25,063	26,267	10,303	8,755
Selling and marketing expenses	(20,842)	(30,018)	(45,188)	(16,378)	(20,427)
Administrative expenses	(78,510)	(100,341)	(119,431)	(39,869)	(60,288)
Research and development costs	(62,020)	(88,749)	(87,225)	(36,347)	(37,632)
Other expenses	(8,213)	(23,992)	(36,835)	(16,553)	(8,680)
Finance costs	(2,817)	(6,445)	(4,838)	(2,188)	(1,272)
Share of loss of an associate	(23,279)	—	—	—	—
Profit before tax	**91,022**	**10,703**	**71,761**	**3,278**	**34,702**
Income tax (expense)/credit	(13,022)	28,368	282	4,285	(2,529)
Profit for the year/period	**78,000**	**39,071**	**72,043**	**7,563**	**32,173**
Attributable to:					
Owners of the parent	85,896	40,791	66,378	14,146	32,173
Non-controlling interests	(7,896)	(1,720)	5,665	(6,583)	—
	78,000	**39,071**	**72,043**	**7,563**	**32,173**

Non-IFRS Financial Measure

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use EBITDA (non-IFRS measure)/adjusted EBITDA (non-IFRS measure) and adjusted net profit (non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with, IFRS. We believe that these non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of items. We believe that these measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of EBITDA (non-IFRS measure)/adjusted EBITDA (non-IFRS measure) and adjusted net profit (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of these non-IFRS measures has limitations as an analytical tool and you should not consider them in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRS.

EBITDA (Non-IFRS Measure) and Adjusted EBITDA (Non-IFRS Measure)

We define EBITDA (non-IFRS measure) as profit for the period adjusted for depreciation and amortization, finance costs and income tax expense. We define adjusted EBITDA (non-IFRS measure) as EBITDA (non-IFRS measure) adjusted by adding back share-based payment expenses and listing expenses. Share-based payment expenses are non-cash in nature. Listing expenses are expenses relating to the Global Offering. The following table sets out a reconciliation of profit for the period to EBITDA (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) for the periods indicated:

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

Adjusted Net Profit (Non-IFRS measure)

We define adjusted net profit (non-IFRS measure) as profit for the period adjusted by adding back share-based payment expenses and listing expense. Share-based payment expenses are non-cash in nature. Listing expenses are expenses relating to the Global Offering. The following table reconciles our adjusted net profit (non-IFRS measure) for the periods presented in accordance with IFRS, which is profit for the periods indicated:

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

Revenue

Revenue by Product Category

During the Track Record Period, we generated revenue from (i) intelligent automotive vision products, (ii) high-end lighting products and (iii) advanced display products.

The following table sets forth a breakdown of our revenue by product category in absolute amounts and as percentages of our total revenue for the periods indicated:

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

During the Track Record Period, 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 from RMB225.7 million in the five months ended May 31, 2023 by 61.9% to RMB365.4 million in the five months ended May 31, 2024. Such increases were primarily due to the increase in the intelligent automotive lamp projects commencing mass production and product delivery. In 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, we had four, seven, 16, ten and 17 intelligent automotive lamp projects under production, respectively. During the Track Record Period, our headlamps and rear lamps were sold in Mainland China. With the market's increased demand for intelligent, integrated and customized automotive lamps, the sales volume of our headlamps increased from 9,848 sets in 2021 to 151,603 sets in 2022 and to 302,766 sets in 2023, and the sales volume of our rear lamps increased from 31,874 sets in 2021 to 91,478 sets in 2022 and to 152,283 sets in 2023. The sales volume of our headlamps increased from 104,612 sets in the five months ended May 31, 2023 to 124,187 sets in the five months ended May 31, 2024, and the sales volume of our rear lamps increased from 42,590 sets in the five months ended May 31, 2023 to 98,441 sets in the five months ended May 31, 2024. In the meantime, the average selling price of our headlamps showed steady growth during the Track Record Period, amounting to RMB1,606.6, RMB1,649.2, RMB1,768.1, RMB1,613.8 and RMB1,629.8 per set, respectively, in 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024. The average selling price of our rear lamps also gradually increased during the Track Record Period, amounting to RMB1,095.3, RMB1,112.5, RMB1,133.6, RMB1,003.3 and RMB1,310.0 per set, respectively, in 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024.

In 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, revenue from high-end lighting was RMB1,033.9 million, RMB670.2 million, RMB650.8 million, RMB253.6 million and RMB254.1 million, respectively. The sales volume of our high-end lighting devices decreased from 7,961.8 million pieces in 2021 to 3,567.3 million pieces in 2022 and to 3,239.5 million pieces in 2023, and decreased from 1,399.5 million pieces in the five months ended May 31, 2023 to 1,320.5 million pieces in the five months ended May 31, 2024. The decrease was primarily due to (i) one of our major customers and its contract manufacturers previously stocked up on LED devices and thus prioritized depleting existing inventory in 2022, and (ii) the intensification of competition in the high-end lighting market. In 2021, we shifted our focus towards high-end products with enhanced performance and higher gross profit margins. As a result, the average selling price of our high-end lighting devices increased from RMB0.11 per piece in 2021 to RMB0.14 per piece in 2022, and further to RMB0.15 per piece in 2023. The average selling price remained relatively stable at RMB0.13 per piece in the five months ended May 31, 2023 and 2024. The average selling price of our high-end lighting modules was RMB11.82, RMB13.09, RMB14.53, 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.

During the Track Record Period, revenue from advanced display increased from RMB280.3 million in 2021 by 21.6% to RMB340.7 million in 2022 and further increased by 28.0% to RMB436.2 million in 2023, revenue from advanced display increased from RMB145.3 million in the five months ended May 31, 2023 by 53.9% to RMB223.6 million in the five months ended May 31, 2024. Such increases were primarily due to (i) the growing trend of large screen televisions that require more LED devices and modules on each unit, and (ii) the increase in the sales of high-tech and high-profit margin products, such as LED products integrating ICs with local dimming function and Mini LED products. In particular, the sales volume of our advanced display modules increased from 32.3 million bars in 2021 to 42.7 million bars in 2022 and to 55.0 million bars in 2023. The sales volume of our advanced display modules increased from 18.7 million bars in the five months ended May 31, 2023 to 23.1 million bars in the five months ended May 31, 2024. The average selling price of our advanced display modules increased from RMB6.69 per bar in 2021 to RMB7.12 per bar in 2022 and remained relatively stable at RMB7.10 per bar in 2023 which is in line with the sales trend of our products applied in large-size TVs. The average selling price of our advanced display modules increased from RMB6.76 per bar in the five months ended May 31, 2023 to RMB8.25 per bar in the five months ended May 31, 2024.

Revenue by Geographic Region

During the Track Record Period, we had revenue from both domestic and overseas markets, including Asia, Europe and North America. The following table sets forth a breakdown of our revenue by geographic region in absolute amounts and as percentages of our total revenue for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2021		2022		2023		2023		2024	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	(RMB in thousands, except for percentages)									
							(unaudited)			
Mainland China	1,058,750	76.3	1,136,009	80.5	1,576,756	84.9	515,804	82.6	707,518	83.9
Overseas	329,630	23.7	274,623	19.5	281,276	15.1	108,813	17.4	135,675	16.1
Total	**1,388,380**	**100.0**	**1,410,632**	**100.0**	**1,858,032**	**100.0**	**624,617**	**100.0**	**843,193**	**100.0**

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

Cost of Sales

Cost of Sales by Nature

Our cost of sales primarily consists of raw material and consumable costs, staff costs and depreciation and amortization expenses. The following table sets forth a breakdown of our cost of sales by nature and as percentages of our total cost of sales for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2021		2022		2023		2023		2024	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)									
							(unaudited)			
Raw material and consumable costs	966,237	83.3	948,030	80.7	1,182,406	77.8	409,776	78.8	563,920	81.9
Staff costs	58,337	5.0	54,147	4.6	75,968	5.0	25,107	4.8	32,442	4.7
Depreciation and amortization expenses	32,789	2.8	51,801	4.4	115,501	7.6	31,616	6.1	26,922	3.9
Others(1)	102,739	8.9	121,469	10.3	145,146	9.6	53,808	10.3	65,663	9.5
Total	**1,160,102**	**100.0**	**1,175,447**	**100.0**	**1,519,021**	**100.0**	**520,307**	**100.0**	**688,947**	**100.0**

Note:

(1) Others primarily includes processing fees and utilities.

Raw material and consumable costs, which mainly represent the expenses paid for the procurement of our raw materials and consumables, including LED chips, leadframes, PCBs, automotive lamp modules, plastic particles, drivers and electronic components, represented the majority of our cost of sales during the Track Record Period. Staff costs mainly represent wages, salaries, social insurance, housing provident fund and share-based payment expenses. Depreciation and amortization expenses mainly represent the depreciation of plants and equipment, as well as the amortization of long-term deferred expenses for renovations and expansions.

Cost of Sales by Product Category

The following table sets forth a breakdown of our cost of sales by product category in absolute amounts and as percentages of our total cost of sales for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2021		2022		2023		2023		2024	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)									
							(unaudited)			
Intelligent automotive vision	**75,097**	**6.5**	**329,612**	**28.0**	**655,733**	**43.2**	**202,600**	**38.9**	**309,362**	**44.9**
Intelligent automotive lamps	51,942	4.5	291,765	24.8	610,499	40.2	192,430	36.9	288,140	41.8
Automotive-grade LED devices and modules	23,155	2.0	37,847	3.2	45,234	3.0	10,170	2.0	21,222	3.1
High-end lighting	**831,508**	**71.7**	**541,474**	**46.1**	**498,392**	**32.8**	**196,189**	**37.7**	**191,130**	**27.7**
High-end lighting devices	670,520	57.8	391,542	33.3	359,053	23.6	136,563	26.2	131,959	19.1
High-end lighting modules	160,988	13.9	149,932	12.8	139,339	9.2	59,626	11.5	59,171	8.6
Advanced display	**253,497**	**21.9**	**304,361**	**25.9**	**364,896**	**24.0**	**121,518**	**23.4**	**188,455**	**27.4**
Total	**1,160,102**	**100.0**	**1,175,447**	**100.0**	**1,519,021**	**100.0**	**520,307**	**100.0**	**688,947**	**100.0**

Gross Profit/(Loss) and Gross Margin

Gross Profit/(Loss) and Gross Margin by Product Category

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

Gross Profit and Gross Margin by Geographic Region

The following table sets forth our gross profit and gross margin by geographic region for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2021		2022		2023		2023		2024	
	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin
	(RMB in thousands, except for percentages)									
							(unaudited)			
Mainland China	173,885	16.4	197,392	17.4	293,017	18.6	89,639	17.4	127,148	18.0
Overseas	54,393	16.5	37,793	13.8	45,994	16.4	14,671	13.5	27,098	20.0
Total	**228,278**	**16.4**	**235,185**	**16.7**	**339,011**	**18.2**	**104,310**	**16.7**	**154,246**	**18.3**

Other Income and Gains

Our other income and gains primarily consist of (i) government grants, including general policy-related rewards from local governments and subsidies stipulated in investment contracts with local governments, both were non-recurring in nature; and (ii) gain on remeasurement of the equity interest in an associate to a subsidiary at the date of acquisition (i.e. Lynway Vision). See "History, Development and Corporate Structure — Major Acquisitions, Disposals and Mergers — Acquisition of Lynway Vision."

Specifically, general policy-related rewards from local governments primarily represent rewards received in accordance with local government policies, such as rewards on R&D investments, employment and recognition of high-tech enterprise. In terms of subsidies stipulated in investment contracts with local governments, the investment contracts set out our investment commitments, which include investment scale, production value and expected tax contribution, as well as subsidies payable by the local governments pursuant to the progress of the investment projects. We apply for such rewards and subsidies upon satisfaction of the conditions specified in the terms of the investment contracts. Subsequent investment commitments not yet completed, which are subject to the conditions specified in the investment contracts, do not affect the government grants received.

The following table sets forth a breakdown of our other income and gains for the periods indicated:

	Year ended December 31,			Five months ended May 31,	
	2021	2022	2023	2023	2024
	(RMB in thousands)				
				(unaudited)	
Other income					
Interest income	2,800	3,241	3,276	1,289	1,627
Government grants	29,881	12,650	11,204	6,220	1,426
Rental income	391	1,445	1,257	813	276
Others	685	329	5,106	147	3,028
Total other income	**33,757**	**17,665**	**20,843**	**8,469**	**6,357**
Gains					
Gain on foreign exchange differences	648	5,349	205	204	663
Gain on remeasurement of the equity interest in an associate to a subsidiary at the date of acquisition	22,139	—	—	—	—
Investment income from financial assets at FVTPL	1,092	2,191	4,040	1,134	1,355
Fair value gain/(loss) on financial assets at FVTPL	441	(142)	1,179	496	380
Others	348	—	—	—	—
Total gains	**24,668**	**7,398**	**5,424**	**1,834**	**2,398**
Total	**58,425**	**25,063**	**26,267**	**10,303**	**8,755**

Each of the other income and gains items arises from the ordinary and usual course of our business. Interest income represents the interest income from bank deposits. Rental income refers to the income generated from leasing portions of the office and dormitories, inclusive of management fees. Others primarily consist of the VAT input tax surplus deduction allowed under the applicable VAT regulations in China and penalty income arising from ordinary course of business. Gain on foreign exchange differences refers to the exchange difference caused by fluctuation in exchange rates between the HK dollars and the US dollars relative to the Renminbi. Investment income from financial assets at FVTPL represents the investment income generated by the sale of structured deposits. Fair value gain/(loss) on financial assets at FVTPL refers to the increase or decrease in the fair value of structured deposits held by the end of the period.

Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of staff costs and market development expenses. The following table sets forth a breakdown of our selling and marketing expenses for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2021		2022		2023		2023		2024	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)									
							(unaudited)			
Staff costs	10,375	49.7	11,844	39.4	15,110	33.4	5,841	35.7	6,790	33.2
Market development expenses	7,210	34.6	9,032	30.1	11,295	25.0	3,969	24.2	5,587	27.4
Storage fees	596	2.9	4,114	13.7	8,032	17.8	2,732	16.7	3,717	18.2
After-sales service fees	914	4.4	3,208	10.7	7,867	17.4	2,806	17.1	3,184	15.6
Others[(1)]	1,747	8.4	1,820	6.1	2,884	6.4	1,030	6.3	1,149	5.6
Total	**20,842**	**100.0**	**30,018**	**100.0**	**45,188**	**100.0**	**16,378**	**100.0**	**20,427**	**100.0**

Note:

(1) Others primarily include traveling expenses, business event expenses, office expenses and depreciation and amortization expenses.

Staff costs under selling and marketing expenses mainly relate to wages, salaries, social insurance, housing provident fund and share-based payment expenses paid to marketing staff. Market development expenses mainly represent service fees, exhibition costs and various other advertising expenditures incurred in relation to our marketing efforts. Storage fees mainly represent costs of inventory storage. After-sales service fees mainly represent warranty related expenses incurred in intelligent automotive vision business.

Administrative Expenses

Our administrative expenses primarily consist of staff costs and depreciation and amortization expenses. The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2021		2022		2023		2023		2024	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)									
							(unaudited)			
Staff costs	41,000	52.2	49,191	49.0	59,642	49.9	20,643	51.7	26,521	44.0
Depreciation and amortization expenses	16,695	21.3	24,653	24.6	24,877	20.8	10,271	25.8	10,511	17.4
Office fees	9,240	11.8	10,316	10.3	10,025	8.4	3,012	7.6	4,459	7.4
Tax and surcharges	6,678	8.5	7,847	7.8	8,465	7.1	3,070	7.7	3,076	5.1
Listing expense	—	—	—	—	6,590	5.5	—	—	11,569	19.2
External service fees[1]	3,181	4.1	6,251	6.2	6,530	5.5	2,022	5.1	2,219	3.7
Business event expenses	734	0.9	1,119	1.1	1,382	1.2	473	1.2	761	1.3
Others[2]	982	1.2	964	1.0	1,920	1.6	378	0.9	1,172	1.9
Total	**78,510**	**100.0**	**100,341**	**100.0**	**119,431**	**100.0**	**39,869**	**100.0**	**60,288**	**100.0**

Notes:

(1) External service fees primarily comprise fees for engaging third-party services such as legal and audit services, as well as charges for local licensing, sewage, landscaping, security and fees related to secondary development of software.

(2) Others primarily include employment security funds for the disabled and operating lease charges.

Staff costs under administrative expenses mainly represent wages, salaries, social insurance, housing provident fund and share-based payment expenses paid to administrative staff. Depreciation and amortization expenses mainly represent the depreciation of office buildings as well as the amortization of intangible assets, such as land use rights and patents. Office fees include office expenses, utilities, maintenance fees and traveling expenses. Tax and surcharges mainly represent the city maintenance and construction taxes, education fee surcharges, property taxes, stamp duties and land use right taxes.

Research and Development Costs

Our research and development costs primarily consist of staff costs and the costs of raw materials and consumables used for research and development. The following table sets forth a breakdown of our research and development costs for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2021		2022		2023		2023		2024	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)									
							(unaudited)			
Staff costs	29,668	47.8	51,200	57.7	49,984	57.3	21,025	57.8	24,352	64.7
Raw materials and consumables used for research and development	21,712	35.0	14,886	16.8	17,952	20.6	7,155	19.7	4,758	12.6
Depreciation and amortization expenses	4,317	7.0	7,583	8.5	7,718	8.8	3,139	8.6	3,774	10.0
Testing fees	3,615	5.8	8,905	10.0	5,804	6.7	2,854	7.9	2,997	8.0
Others[1]	2,708	4.4	6,175	7.0	5,767	6.6	2,174	6.0	1,751	4.7
Total	**62,020**	**100.0**	**88,749**	**100.0**	**87,225**	**100.0**	**36,347**	**100.0**	**37,632**	**100.0**

Note:

(1) Others primarily include leasing fees and utilities, outsourced research and development expenses, traveling expenses and patent agency fees.

Staff costs under research and development costs mainly represent wages, salaries, social insurance, housing provident fund and share-based payment expenses and various other employee benefits paid to R&D staff. Raw materials and consumables used for research and development mainly represent LED chips, leadframes, PCBs, automotive lamp modules, plastic particles, drivers and electronic components. Depreciation and amortization expenses mainly represent the depreciation and amortization of our equipment and machinery for R&D purposes. Testing fees are incurred in connection with product testings.

Other Expenses

Our other expenses were RMB8.2 million, RMB24.0 million, RMB36.8 million, RMB16.6 million and RMB8.7 million, respectively, in 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024. Our other expenses primarily represent net provision for impairment of inventories, net impairment losses on financial and contract assets and non-operating expenses, including losses from the damage or disposal of non-current assets and expenditures related to donations.

Finance Costs

Our finance costs primarily consist of interest on bank and other borrowings. The following table sets forth a breakdown of our finance costs for the periods indicated:

	Year ended December 31,			Five months ended May 31,	
	2021	2022	2023	2023	2024
			(RMB in thousands)		
				(unaudited)	
Interest on bank and other borrowings	4,996	6,418	4,778	2,161	1,252
Interest on lease liabilities	—	27	60	27	20
Less: Interest capitalized	(2,179)	—	—	—	—
Total	**2,817**	**6,445**	**4,838**	**2,188**	**1,272**

Share of Loss of An Associate

Our share of loss of an associate represents to our share of loss of Lynway Vision. We recorded share of loss of RMB23.3 million in 2021. We did not record share of loss of an associate in 2022, 2023 and the five months ended May 31, 2024 because we acquired the controlling interest in Lynway Vision in September 2021 and have consolidated its results since then. See "History, Development and Corporate Structure — Major Acquisitions, Disposals and Mergers — Acquisition of Lynway Vision."

Income Tax (Expense)/Credit

We recorded income tax expense of RMB13.0 million and income tax credit of RMB28.4 million in 2021 and 2022, respectively. In 2022, we recognized deferred tax assets for tax loss(es) and temporary differences which incurred in previous years in the amount of RMB21.3 million, primarily attributable to our subsidiaries' commencement of mass production and improved profitability. We recorded income tax credit of RMB0.3 million in 2023. We recorded income tax credit of RMB4.3 million and income tax expense of RMB2.5 million in the five months ended May 31, 2023 and 2024, respectively.

We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which our members are domiciled and operate. We are subject to various rates of income tax under different jurisdictions. During the Track Record Period and up to the Latest Practicable Date, we paid all relevant taxes that were due and applicable to us and had no disputes or unresolved tax issues with the relevant tax authorities. The following set forth our principal applicable taxes and tax rates:

PRC

Our income tax provision in respect of our operations in the PRC was subject to a statutory tax rate of 25% on our assessable profits during the Track Record Period, based on the existing legislation, interpretations and practices in respect thereof. Enterprises that qualify as "High and New Technology Enterprises" are entitled to a preferential rate of 15% for three years. Our Company and Lynway Vision were qualified as High and New Technology Enterprises under the relevant PRC laws and regulations in December 2021 and December 2022, respectively, and such qualification may be renewed every three years.

Hong Kong

APT (HK) was subject to a statutory tax rate of 16.5% on its assessable profits during the Track Record Period, based on the existing legislation, interpretations and practices in respect thereof. However, no provision for Hong Kong profits tax has been made as APT (HK) did not have assessable profit which arose in, or derived from, Hong Kong during the Track Record Period.

RESULTS OF OPERATIONS

Comparisons between Five Months Ended May 31, 2024 and 2023

Revenue

Revenue by Product Category

Our revenue increased by 35.0% from RMB624.6 million in the five months ended May 31, 2023 to RMB843.2 million in the five months ended May 31, 2024, primarily due to the increases in revenue from intelligent automotive vision and advanced display.

Our 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, primarily due to the increase in the number of intelligent automotive lamp projects commencing mass production and product delivery. The number of projects under production increased from ten in the five months ended May 31, 2023 to 17 in the five months ended May 31, 2024. In addition, we continued to enhance our products and had an increase in the revenue from automotive-grade LED devices and modules, primarily attributable to (i) increased sales of LED devices as we enhanced sales efforts and expanded our customer base, and (ii) increased sales of COB sub-mount automotive modules for headlamps to meet the growing demand of our existing customers.

Our revenue from high-end lighting remained relatively stable at RMB253.6 million in the five months ended May 31, 2023 and RMB254.1 million in the five months ended May 31, 2024.

Our revenue from advanced display increased by 53.9% from RMB145.3 million in the five months ended May 31, 2023 to RMB223.6 million in the five months ended May 31, 2024, primarily due to (i) the increase in the sales of our LED products integrating ICs with local dimming function, for which we launched new product lines in the second half of 2023 and achieved strong business growth, and (ii) the increase in the sales of advanced display products applied in LCD TVs over 75 inches, driven by the overall market trend in 2024, with the LCD TV over 75 inches seeing a significant period-on-period increase of approximately 34.5% during the five months ended May 31, 2024. Specifically, the sales volume of our LED products integrating ICs with local dimming function increased from 1.1 million bars in the five months ended May 31, 2023 to 2.6 million bars in the five months ended May 31, 2024. The sales volume of advanced display products applied in LCD TVs over 75 inches increased from 7.6 million bars in the five months ended May 31, 2023 to 12.4 million bars in the five months ended May 31, 2024.

Revenue by Geographic Region

Our revenue from the sales in Mainland China increased by 37.2% from RMB515.8 million in the five months ended May 31, 2023 to RMB707.5 million in the five months ended May 31, 2024, primarily due to the increases in revenue from intelligent automotive vision and advanced display, which were mainly sold domestically.

Our revenue from the sales overseas increased by 24.7% from RMB108.8 million in the five months ended May 31, 2023 to RMB135.7 million in the five months ended May 31, 2024, primarily due to (i) the increased sales of horticultural lighting products in our high-end lighting business, while high-end lighting business contributed to the majority of our overseas revenue during the Track Record Period, and (ii) the increased sales of our advanced display products.

Cost of Sales

Cost of Sales by Nature

Our cost of sales increased by 32.4% from RMB520.3 million in the five months ended May 31, 2023 to RMB688.9 million in the five months ended May 31, 2024, primarily because our raw materials and consumables increased by 37.6% from RMB409.8 million in the five months ended May 31, 2023 to RMB563.9 million in five months ended May 31, 2024 due to the increased procurement volume of raw materials and consumables in line with the revenue growth of intelligent automotive vision and advanced display businesses.

Cost of Sales by Product Category

Our cost of sales increased by 32.4% from RMB520.3 million in the five months ended May 31, 2023 to RMB688.9 million in the five months ended May 31, 2024, primarily due to the increase in the cost of sales of intelligent automotive vision and advanced display. Our cost of sales of intelligent automotive vision increased by 52.7% from RMB202.6 million in the five months ended May 31, 2023 to RMB309.4 million in the five months ended May 31, 2024. Our cost of sales of high-end lighting slightly decreased from RMB196.2 million in the five months ended May 31, 2023 by 2.6% to RMB191.1 million in the five months ended May 31, 2024. Our cost of sales of advanced display increased by 55.1% from RMB121.5 million in the five months ended May 31, 2023 to RMB188.5 million in the five months ended May 31, 2024. Such changes were primarily in line with the changes in revenue of the respective businesses and affected by measures taken to maintain the competitive advantage of our products, including product design optimization, process improvement and enhanced supply chain management.

Gross Profit and Gross Margin

As a result of the foregoing, our gross profit increased from RMB104.3 million in the five months ended May 31, 2023 to RMB154.2 million in the five months ended May 31, 2024. Our gross profit margin increased from 16.7% in the five months ended May 31, 2023 to 18.3% in the five months ended May 31, 2024.

Gross Profit/(Loss) and Gross Margin by Product Category

Our gross profit margin for intelligent automotive vision increased from 10.2% in the five months ended May 31, 2023 to 15.3% in the five months ended May 31, 2024. Specifically:

- our gross profit margin for intelligent automotive lamps increased from 9.0% in the five months ended May 31, 2023 to 13.0% in the five months ended May 31, 2024, primarily because we improved operational efficiency and decreased depreciation and amortization expenses with increased production volume of intelligent automotive lamps.

- our gross profit margin for automotive-grade LED devices and modules increased from 28.0% in the five months ended May 31, 2023 to 37.7% in the five months ended May 31, 2024, primarily due to the increase in the revenue contribution from products with higher profit margin such as our high-power automotive-grade LED devices used in intelligent automotive lamps and COB sub-mount automotive modules for headlamps.

Our gross profit margin for high-end lighting increased from 22.6% in the five months ended May 31, 2023 to 24.8% in the five months ended May 31, 2024 primarily because of the increase in the sales of our high-tech and high-profit margin products including horticultural lighting products and outdoor lighting products.

Our gross profit margin for advanced display decreased from 16.4% in the five months ended May 31, 2023 to 15.7% in the five months ended May 31, 2024, primarily due to price adjustments on certain products.

Gross Profit/(Loss) and Gross Margin by Geographic Region

Our gross profit margin for the sales in Mainland China increased from 17.4% in the five months ended May 31, 2023 to 18.0% in the five months ended May 31, 2024, primarily due to the increase in the gross profit margin for the intelligent automotive vision and high-end lighting businesses.

Our gross profit margin for the sales overseas increased from 13.5% in the five months ended May 31, 2023 to 20.0% in the five months ended May 31, 2024, primarily due to the increase in the proportion of revenue contribution from horticultural lighting and outdoor lighting products with higher profit margin in our high-end lighting business.

Other Income and Gains

Our other income and gains decreased by 14.6% from RMB10.3 million in the five months ended May 31, 2023 to RMB8.8 million in the five months ended May 31, 2024, primarily due to the non-recurrence of government grants received in the five months ended May 31, 2023.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 24.7% from RMB16.4 million in the five months ended May 31, 2023 to RMB20.4 million in the five months ended May 31, 2024, primarily due to the increases in our staff costs, market development expenses and after-sales service fees, which were in line with our business expansion.

Administrative Expenses

Our administrative expenses increased by 51.1% from RMB39.9 million in the five months ended May 31, 2023 to RMB60.3 million in the five months ended May 31, 2024, primarily due to (i) an increase in the listing expenses and (ii) an increase in the staff salaries and bonus in line with our business growth.

Research and Development Costs

Our research and development costs increased by 3.6% from RMB36.3 million in the five months ended May 31, 2023 to RMB37.6 million in the five months ended May 31, 2024, primarily due to the expansion of our R&D team for the research and development of intelligent automotive lamp projects.

Other Expenses

Our other expenses decreased by 47.6% from RMB16.6 million in the five months ended May 31, 2023 to RMB8.7 million in the five months ended May 31, 2024, primarily due to the decrease in the net provision for impairment of inventory.

Finance Costs

Our finance costs decreased by 40.9% from RMB2.2 million in the five months ended May 31, 2023 to RMB1.3 million in the five months ended May 31, 2024, primarily because (i) the loan principal was partially repaid in the second half of 2023 and (ii) loan interest rates decreased since December 2023.

Income Tax (Expense)/Credit

We recorded income tax credit of RMB4.3 million and income tax expense of RMB2.5 million in the five months ended May 31, 2023 and 2024, respectively, primarily because we maintained a positive taxable income after offsetting prior losses in the five months ended May 31, 2024.

Profit/Loss for the Period

As a result of the foregoing, our profit for the period increased from RMB7.6 million in the five months ended May 31, 2023 to RMB32.2 million in the five months ended May 31, 2024.

Comparisons between 2023 and 2022

Revenue

Revenue by Product Category

Our revenue increased by 31.7% from RMB1,410.6 million in 2022 to RMB1,858.0 million in 2023, primarily due to the increases in revenue from intelligent automotive vision and advanced display.

Our revenue from intelligent automotive vision increased by 92.9% from RMB399.7 million in 2022 to RMB771.0 million in 2023, primarily due to the increase in the number of intelligent automotive lamp projects commencing mass production and product delivery. Specifically, the number of projects under production increased from seven in 2022 to 16 in 2023. Among projects that commenced mass production in 2023, the corresponding vehicle models including Lynk & Co 06 EM-P, ZEEKR 001 and ZEEKR 007 gained strong market recognition. According to CIC, the sales volume of these three vehicle models ranked as leaders in their respective categories in 2023. In addition, revenue from our automotive-grade LED devices and modules increased as we endeavored to expand our product portfolio. The type of automotive-grade LED devices and modules we sold increased from 360 in 2022 to 552 in 2023.

Our revenue from high-end lighting slightly decreased from RMB670.2 million in 2022 to RMB650.8 million in 2023, primarily due to decreased orders as a result of intense market competition in 2023, which was partially offset by our strategic expansion in higher-profit margin lighting devices and modules, such as outdoor lighting and horticultural lighting products, where we received increased orders.

Our revenue from advanced display increased by 28.0% from RMB340.7 million in 2022 to RMB436.2 million in 2023, primarily because (i) we strengthened our sales effort and customer services, which led to an increase in the sales of our advanced display products; (ii) the increase in the sales of our high-tech and high-profit margin products, such as LED products integrating ICs with local dimming function and Mini LED products; and (iii) the growing trend of large screen television facilitated the sales of our advanced display products as the production of each unit would require more LED devices and modules due to the increased size. Specifically, the sales volume of LED products integrating ICs applied in LCD TVs over 75 inches we introduced in 2023 reached 2.8 million bars with an average selling price of RMB12.5 per bar. The sales volume of our Mini LED products increased from 0.5 million bars in 2022 to 5.7 million bars in 2023. The sales volume of advanced display products applied in LCD TVs over 75 inches sold in Mainland China increased from 14.4 million bars in 2022 to 22.1 million bars in 2023.

Revenue by Geographic Region

Our revenue from the sales in Mainland China increased by 38.8% from RMB1,136.0 million in 2022 to RMB1,576.8 million in 2023, primarily due to the increases in revenue from intelligent automotive vision and advanced display, which were mainly sold domestically.

Our revenue from the sales overseas increased by 2.4% from RMB274.6 million in 2022 to RMB281.3 million in 2023, primarily due to the increased sales of our high-end lighting modules in 2023, while high-end lighting business contributed to the majority of our overseas revenue during the Track Record Period.

Cost of Sales

Cost of Sales by Nature

Our cost of sales increased by 29.2% from RMB1,175.4 million in 2022 to RMB1,519.0 million in 2023, primarily because (i) our raw materials and consumables increased by 24.7% from RMB948.0 million in 2022 to RMB1,182.4 million in 2023 due to the increased procurement volume of raw materials and consumables in line with the revenue growth of intelligent automotive vision and advanced display businesses and (ii) our depreciation and amortization expenses increased from RMB51.8 million in 2022 to RMB115.5 million in 2023 as we purchased more equipment and machinery for our intelligent automotive vision business.

Cost of Sales by Product Category

Our cost of sales increased by 29.2% from RMB1,175.4 million in 2022 to RMB1,519.0 million in 2023, primarily due to the increase in cost of sales of intelligent automotive vision, partially offset by the decrease in cost of sales of high-end lighting. Our cost of sales of intelligent automotive vision increased from RMB329.6 million in 2022 to RMB655.7 million in 2023. Our cost of sales of high-end lighting decreased by 8.0% from RMB541.5 million in 2022 to RMB498.4 million in 2023. Our cost of sales of advanced display increased by 19.9% from RMB304.4 million in 2022 to RMB364.9 million in 2023. Such changes were primarily in line with (i) the revenue changes of the respective business and (ii) our effort to strengthen the supply chain and production management. See "— Revenue — Revenue by Product Category" above and "— Gross Profit and Gross Margin."

Gross Profit and Gross Margin

As a result of the foregoing, our gross profit increased from RMB235.2 million in 2022 to RMB339.0 million in 2023. Our gross profit margin increased from 16.7% in 2022 to 18.2% in 2023.

Gross Profit/(Loss) and Gross Margin by Product Category

Our gross profit margin for intelligent automotive vision decreased from 17.5% in 2022 to 14.9% in 2023. Specifically:

- our gross profit margin for intelligent automotive lamps decreased from 17.1% in 2022 to 13.8% in 2023, primarily because we adopted more competitive pricing strategies in response to the intensified market competition.

- our gross profit margin for automotive-grade LED devices and modules increased from 21.0% in 2022 to 28.2% in 2023, primarily due to an increase in the proportion of revenue contribution from products with higher-profit margin such as our high-power automotive-grade LED devices used in intelligent automotive lamps.

Our gross profit margin for high-end lighting increased from 19.2% in 2022 to 23.4% in 2023 despite a slight drop in the revenue during the same period. The increase in the gross profit margin was primarily because (i) the sales of our high-profit margin lighting devices and modules, such as outdoor lighting and horticultural lighting products, increased, as we strategically shifted our development and sales focus to high-tech and high-profit margin products, (ii) we strengthened our supply chain management by expanding the supplier pool for main raw materials and consumables and implementing bidding processes for key raw materials and consumables and (iii) we continued to enhance production management and improve production efficiency.

Our gross profit margin for advanced display increased from 10.7% in 2022 to 16.4% in 2023, primarily because (i) we launched several high-tech and high-profit margin advanced display products, such as LED products integrating ICs with local dimming function and Mini LED backlight modules, and (ii) we strengthened our supply chain management and production management, which improved our procurement and production efficiency.

Gross Profit/(Loss) and Gross Margin by Geographic Region

Our gross profit margin for the sales in Mainland China increased from 17.4% in 2022 to 18.6% in 2023, primarily due to (i) the increase in the gross profit margin for the high-end lighting and advanced display businesses, and (ii) our effort to enhance production management and improve production efficiency, partially offset by the decrease in the gross profit margin for intelligent automotive lamps.

Our gross profit margin for the sales in overseas increased from 13.8% in 2022 to 16.4% in 2023, primarily due to the increase in the overseas sales of our horticultural lighting devices and high-end lighting modules with high profit margins.

Other Income and Gains

Our other income and gains increased by 4.8% from RMB25.1 million in 2022 to RMB26.3 million in 2023, primarily due to (i) an increase primarily resulted from favorable VAT policy changes and (ii) an increase in investment income from financial assets at fair value through profit or loss due to our increased investment in wealth management products in line with our overall business expansion and revenue growth, partially offset by the decrease in our gain on foreign exchange differences as a result of the appreciation of the USD against the RMB in 2022.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 50.5% from RMB30.0 million in 2022 to RMB45.2 million in 2023, primarily due to (i) the increase in storage fees incurred for automotive lamps as we expanded intelligent automotive vision business and (ii) the increases in our staff costs, market development expenses and after-sales service fees, which were in line with our business expansion.

Administrative Expenses

Our administrative expenses increased by 19.0% from RMB100.3 million in 2022 to RMB119.4 million in 2023, primarily due to the increase in our staff costs because, in line with the growth of our intelligent automotive vision business, we raised staff salaries and bonus.

Research and Development Costs

Our research and development costs remained relatively stable at RMB88.7 million and RMB87.2 million in 2022 and 2023, respectively.

Other Expenses

Our other expenses increased by 53.5% from RMB24.0 million in 2022 to RMB36.8 million in 2023, primarily due to an increase in the net provision for impairment of inventory because the contract costs incurred for an intelligent automotive vision project exceeded the agreed-upon consideration promised by the customer, and thus we made a provision for impairment of costs incurred to fulfill contracts.

Finance Costs

Our finance costs decreased by 24.9% from RMB6.4 million in 2022 to RMB4.8 million in 2023, primarily due to a decrease in our interest on bank borrowing in relation to the Linlux production base because (i) the loan principal was partially repaid in December 2022 and 2023 and (ii) loan interest rates decreased in 2023 as compared to 2022.

Income Tax (Expense)/Credit

We recorded income tax credit of RMB28.4 million and income tax credit of RMB0.3 million in 2022 and 2023, respectively, primarily due to the decrease in our deferred tax liabilities arising from appreciation of assets acquired in business combination and accelerated depreciation of fixed assets.

Profit for the Year

As a result of the foregoing, our profit for the year increased significantly from RMB39.1 million in 2022 to RMB72.0 million in 2023.

Comparisons between 2022 and 2021

Revenue

Revenue by Product Category

Our revenue increased from RMB1,388.4 million in 2021 to RMB1,410.6 million in 2022, primarily due to the increase in revenue from intelligent automotive vision and advanced display, partially offset by the decrease in revenue from high-end lighting.

Our revenue from intelligent automotive vision increased significantly from RMB74.3 million in 2021 to RMB399.7 million in 2022, primarily because (i) we acquired a controlling interest in Lynway Vision in September 2021 and have consolidated its results since then, see "History, Development and Corporate Structure — Major Acquisitions, Disposals and Mergers — Acquisition of Lynway Vision," and (ii) we strategically shifted our development and sales focus to the intelligent automotive vision business and commenced mass production of three intelligent automotive lamp projects in 2022, including two headlamp projects and one rear lamp project.

Our revenue from high-end lighting decreased by 35.2% from RMB1,033.9 million in 2021 to RMB670.2 million in 2022, primarily because one of our major customers, Customer B, and its contract manufacturers previously stocked up on LED devices and thus prioritized depleting existing inventory in 2022. The volume of their purchases in 2021 increased significantly by 1,813.1 million pieces, or 146.2% compared with 2020. As a result, revenue from Customer B and its contract manufacturers decreased from RMB334.5 million in 2021 to RMB260.3 million in 2022, and then recovered in 2023 as revenue from them increased to RMB303.1 million.

Our revenue from advanced display increased by 21.6% from RMB280.3 million in 2021 to RMB340.7 million in 2022, primarily due to our efforts in expanding customer base and securing new orders, which led to an increase in sales of our advanced display products.

Revenue by Geographic Region

Our revenue from the sales in Mainland China increased by 7.3% from RMB1,058.8 million in 2021 to RMB1,136.0 million in 2022, mainly due to the increase in our revenue from intelligent automotive vision and advanced display, the products of which were mainly sold domestically.

Our revenue from the sales overseas decreased by 16.7% from RMB329.6 million in 2021 to RMB274.6 million in 2022, mainly due to the decreases in revenue from our high-end lighting as a result of decreased market demand and orders from overseas caused by COVID-19, while high-end lighting business contributed to the majority of our overseas revenue during the Track Record Period.

Cost of Sales

Our cost of sales remained relatively stable at RMB1,160.1 million and RMB1,175.5 million in 2021 and 2022, respectively.

Cost of Sales by Nature

Our raw material and consumable costs and staff costs decreased from RMB966.2 million and RMB58.3 million in 2021 to RMB948.0 million and RMB54.1 million in 2022, respectively, primarily due to the decrease in the demand for high-end lighting LED devices and modules, which was partially offset by the increased raw material and consumable costs and staff costs incurred in intelligent automotive vision business and advanced display business. Our depreciation and amortization expenses increased from RMB32.8 million in 2021 to RMB51.8 million in 2022, primarily due to the increase in depreciation of our production bases and equipment, as well as the amortization of long-term deferred expenses for renovation and expansion as a result of the consolidation of Lynway Vision in September 2021.

Cost of Sales by Product Category

Our cost of sales of intelligent automotive vision products increased from RMB75.1 million in 2021 to RMB329.6 million in 2022. Our cost of sales of high-end lighting products decreased by 34.9% from RMB831.5 million in 2021 to RMB541.5 million in 2022. Our cost of sales of advanced display products increased by 20.1% from RMB253.5 million in 2021 to RMB304.4 million in 2022. Such changes were primarily in line with (i) the revenue changes of the respective business and (ii) the emerging economies of scales of our intelligent automotive vision business. See "— Revenue — Revenue by Product Category" above and "— Gross Profit and Gross Margin" below.

Gross Profit and Gross Margin

As a result of the foregoing, our gross profit increased from RMB228.3 million in 2021 to RMB235.2 million in 2022. Our gross profit margin increased from 16.4% in 2021 to 16.7% in 2022.

Gross Profit/(Loss) and Gross Margin by Product Category

We recorded gross loss margin of 1.1% and gross profit margin of 17.5% for intelligent automotive vision in 2021 and 2022, respectively, primarily because in 2021, the development of our intelligent automotive vision business was in its early stage, where we incurred substantial initial investment. As the number of intelligent automotive lamp projects under production increased from four in 2021 to seven in 2022, we achieved economies of scale and improved profit margins.

Our gross profit margin for high-end lighting remained relative stable at 19.6% in 2021 and 19.2% in 2022, respectively.

Our gross profit margin for advanced display increased from 9.6% in 2021 to 10.7% in 2022, primarily because (i) our bargaining power in procurement enhanced as a result of our increased sales volume and business scale and (ii) we enhanced our internal production management, including optimizing staffing arrangements and production line utilization in 2022, which led to lower production costs.

Gross Profit/(Loss) and Gross Margin by Geographic Region

Our gross profit margin for the sales in Mainland China increased from 16.4% in 2021 to 17.4% in 2022, primarily due to the increase in revenue and gross margin for our intelligent automotive vision business.

Our gross profit margin for the sales overseas decreased from 16.5% in 2021 to 13.8% in 2022, primarily due to the significant decrease in revenue from high-end lighting devices and decreased utilization rate of our production capacity as a result of the decreased market demand and orders from overseas caused by COVID-19 while high-end lighting business contributed to the majority of our overseas revenue during the Track Record Period.

Other Income and Gains

Our other income and gains decreased by 57.1% from RMB58.4 million in 2021 to RMB25.1 million in 2022, primarily due to (i) a decrease in government grants because we received an investment incentive subsidy of RMB20.0 million from local government in 2021 in relation to our Linlux production base and (ii) a decrease in the gain on remeasurement of the equity interest in an associate to a subsidiary at the date of acquisition as a result of the consolidation of Lynway Vision in September 2021. These were partially offset by a gain on foreign exchange differences, as a result of the appreciation of the USD against the RMB in 2022.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 44.0% from RMB20.8 million in 2021 to RMB30.0 million in 2022, primarily due to (i) the increase in storage fees incurred for intelligent automotive vision business since the consolidation of Lynway Vision in September 2021 and (ii) the increases in market development expenses, after-sales service fees and staff costs in line with our business expansion.

Administrative Expenses

Our administrative expenses increased by 27.8% from RMB78.5 million in 2021 to RMB100.3 million in 2022, primarily due to (i) the increase in staff costs as a result of the consolidation of Lynway Vision in September 2021 and (ii) the increase in depreciation and amortization expenses following the completion of the construction of Linlux production base.

Research and Development Costs

Our research and development costs increased by 43.1% from RMB62.0 million in 2021 to RMB88.7 million in 2022, primarily due to (i) an increase in our staff costs as a result of the consolidation of Lynway Vision in September 2021 and (ii) an increase in testing fees as a result of an increased third-party tests and inspection expenditure for our intelligent automotive vision products. This was partially offset by a decrease in raw materials and consumables used for the R&D of our high-end lighting products.

Other Expenses

Our other expenses increased from RMB8.2 million in 2021 to RMB24.0 million in 2022, primarily due to an increase in the net provision for impairment of inventories because the stockpiling by our customers subsequently reduced the demand for our LED device products in 2022. We adopted the kitting method to improve our inventory efficiency, where we bundle multiple components together as a single unit for shipping in anticipation of customer demand. Due to the reduced demand for LED device products in 2022, we made provisions for impairments of inventories in view of the low likelihood of the sales of such LED components through kitting method.

Finance Costs

Our finance costs increased from RMB2.8 million in 2021 to RMB6.4 million in 2022, primarily because the accrued interest on the bank borrowing in relation to the Linlux production base before the completion of the Linlux production base construction in August 2021 was capitalized.

Share of Loss of An Associate

Our share of loss of an associate decreased from RMB23.3 million in 2021 to nil in 2022, primarily due to the loss recorded by the associate, Lynway Vision, in 2021 as a result of its significant upfront R&D expenses while it had yet to start mass production. Our share of loss of an associate was nil in 2022 because we acquired the controlling interest in Lynway Vision in September 2021 and have consolidated its results since then.

Income Tax (Expense)/Credit

We recorded income tax expenses of RMB13.0 million and income tax credit of RMB28.4 million in 2021 and 2022, respectively, primarily because (i) our profit before tax decreased in 2022 and (ii) our deferred income tax decreased in 2022.

Profit for the Year

As a result of the foregoing, our profit for the year decreased by 49.9% from RMB78.0 million in 2021 to RMB39.1 million in 2022.

DESCRIPTION OF CERTAIN COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	As of December 31,			As of May 31,
	2021	2022	2023	2024
	(RMB in thousands)			
Non-current assets				
Property, plant and equipment	816,861	844,946	877,052	871,982
Right-of-use assets	80,983	79,961	77,312	76,208
Goodwill	13,523	13,523	13,523	13,523
Other intangible assets	39,362	33,457	26,770	25,626
Deferred tax assets	9,021	37,722	37,038	37,941
Other non-current assets	6,562	5,307	181	4,638
Total non-current assets	**966,312**	**1,014,916**	**1,031,876**	**1,029,918**
Current assets				
Inventories	188,028	211,579	216,026	250,736
Trade and bills receivables	508,985	583,171	669,459	747,607
Contract assets	3,685	4,246	5,445	6,144
Prepayments, deposits and other receivables	37,457	11,525	12,953	13,947
Financial assets at fair value through profit or loss	111,341	98,299	187,479	116,859
Pledged deposits	67,270	45,702	67,041	64,291
Cash and cash equivalents	96,778	108,231	209,878	280,085
Total current assets	**1,013,544**	**1,062,753**	**1,368,281**	**1,479,669**
Current liabilities				
Trade and bills payables	479,888	507,302	794,203	865,161
Other payables and accruals	416,857	456,554	462,732	440,854
Tax payable	—	—	—	1,215
Contract liabilities	7,802	13,636	13,995	13,661
Interest-bearing bank borrowings	15,181	25,147	29,481	454
Lease liabilities	—	271	287	293
Total current liabilities	**919,728**	**1,002,910**	**1,300,698**	**1,321,638**
Net current assets	**93,816**	**59,843**	**67,583**	**158,031**

	As of December 31,			As of May 31,
	2021	2022	2023	2024
	(RMB in thousands)			
Non-current liabilities				
Interest-bearing bank borrowings	135,000	105,000	50,472	62,110
Lease liabilities	—	909	623	637
Deferred income	6,976	9,109	14,296	13,139
Deferred tax liabilities	8,293	8,659	7,705	7,282
Total non-current liabilities	**150,269**	**123,677**	**73,096**	**83,168**
Net assets	**909,859**	**951,082**	**1,026,363**	**1,104,781**
Equity				
Equity attributable to owners of the parent				
Share capital	411,495	411,495	480,078	498,507
Other reserves	436,078	479,021	546,285	606,274
Non-controlling interests	62,286	60,566	—	—
Total equity	**909,859**	**951,082**	**1,026,363**	**1,104,781**

Property, Plant and Equipment

Our property, plant and equipment mainly consists of buildings, machinery and others, and construction in progress.

The following table sets forth a breakdown of our property, plant and equipment as of the dates indicated:

	As of December 31,			As of May 31,
	2021	2022	2023	2024
	(RMB in thousands)			
Buildings	422,374	403,445	394,078	381,259
Machinery and others	367,521	394,366	456,487	431,029
Construction in progress	26,966	46,090	25,711	59,094
Leasehold improvements	—	1,045	776	600
Total	**816,861**	**844,946**	**877,052**	**871,982**

Our property, plant and equipment increased from RMB816.9 million as of December 31, 2021 to RMB844.9 million as of December 31, 2022, and further increased to RMB877.1 million as of December 31, 2023, primarily due to (i) our consolidation of Lynway Vision in September 2021 and (ii) the expansion of our intelligent automotive vision business and advanced display business. Our property, plant and equipment decreased from RMB877.1 million as of December 31, 2023 to RMB872.0 million as of five months ended May 31, 2024, primarily due to depreciation and amortization.

Right-of-Use Assets

Our right-of-use assets primarily include the lease contracts for the building and leasehold land we use in our operations. We leased properties for our own use, and these lease liabilities were measured at net present value of the lease payments to be paid during the lease terms.

As of December 31, 2021, 2022, 2023 and May 31, 2024, our right-of-use assets were RMB81.0 million, RMB80.0 million, RMB77.3 million and RMB76.2 million, respectively. Such decreases were due to amortization.

Other Intangible Assets

Our other intangible assets primarily consist of in-licensed trademarks and patents and office software.

As of December 31, 2021, 2022, 2023 and May 31, 2024, our other intangible assets were RMB39.4 million, RMB33.5 million, RMB26.8 million and RMB25.6 million, respectively. The continual decrease in our other intangible assets as of May 31, 2024 compared to December 31, 2021 was primarily due to the amortization of (i) the in-licensed trademarks and patents and (ii) office software.

Inventory

Our inventories consist of (i) raw materials and consumables, including LED chips, leadframes, PCBs, automotive lamp modules, plastic particles, drivers and electronic components, (ii) work in progress, including our intelligent automotive vision, high-end lighting and advanced display products in production, (iii) finished goods, including our intelligent automotive vision, high-end lighting and advanced display products and (iv) contract costs, which are the costs incurred to fulfill contracts for our intelligent automotive lamp projects. Raw materials and consumables and finished goods, in aggregate, represented the majority of our inventories, accounting for 86.8%, 81.2%, 79.2% and 76.7% of our total inventories as of December 31, 2021, 2022, 2023 and May 31, 2024, respectively.

The following table sets forth a breakdown of our inventories as of the dates indicated:

	As of December 31,			As of May 31,
	2021	2022	2023	2024
	(RMB in thousands)			
Raw materials and consumables	79,812	67,816	63,359	74,942
Work in progress	14,644	17,060	23,918	34,339
Finished goods	83,349	103,990	107,734	117,490
Contract costs	10,223	22,713	21,015	23,965
Total	**188,028**	**211,579**	**216,026**	**250,736**

Our inventories increased by 12.5% from RMB188.0 million as of December 31, 2021 to RMB211.6 million as of December 31, 2022, primarily due to (i) an increase in the inventory of finished goods, led by the increased number of intelligent automotive lamp projects and advanced display orders in 2022, and (ii) an increase in the contract costs primarily as a result of the increase in the costs incurred to fulfill contracts, in line with the growth of our intelligent automotive vision business. This was partially offset by a decrease in inventory of raw materials and consumables as a result of the reduced demand for these items from our high-end lighting business.

Our inventories remained relatively stable at RMB211.6 million and RMB216.0 million as of December 31, 2022 and 2023, respectively. Our inventories increased by 16.1% from RMB216.0 million as of December 31, 2023 to RMB250.7 million as of May 31, 2024, primarily due to the expanded production to fulfill the increased customer orders in our high-end lighting and advanced display businesses.

As of August 31, 2024, RMB172.1 million, or approximately 68.7%, of our inventories as of May 31, 2024 had been delivered or consumed.

The aging analysis of our inventories based on invoice date as of the dates indicated is as follows:

	As of December 31,			As of May 31,
	2021	2022	2023	2024
	(RMB in thousands)			
Within three months	145,398	156,784	174,440	198,610
Three months to one year	35,623	31,051	25,224	34,608
Over one year	7,007	23,744	16,362	17,518
Total	**188,028**	**211,579**	**216,026**	**250,736**

The table below sets forth our inventory turnover days during the periods indicated:

	Year ended December 31,			Five months ended May 31,
	2021	2022	2023	2024
	(days)			
Inventory turnover days[(1)]	58	61	51	51

Note:

(1) Inventory turnover days for each period equals the average of the beginning and ending balances of inventory for that period divided by cost of sales for that period and multiplied by 360 days for 2021, 2022 and 2023, or by 150 days for the five months ended May 31, 2024.

Our inventory turnover days remained relatively stable at 58 and 61 in 2021 and 2022, respectively. Our inventory turnover days decreased from 61 in 2022 to 51 in 2023, primarily because (i) we had slower inventory turnover in 2022 as our customers prioritized depleting their existing inventory and (ii) we strengthened our inventory management and optimized inbound warehousing standards subsequently in 2022 and 2023, which effectively reduced the stock of our finished goods. Our inventory turnover days remained relatively stable at 51 days in 2023 and the five months ended May 31, 2024.

Trade and Bills Receivables

The following table sets forth our trade and bills receivables as of the dates indicated:

	As of December 31,			As of May 31,
	2021	2022	2023	2024
	(RMB in thousands)			
Trade receivables	411,428	436,135	538,554	593,071
Bills receivables	107,703	159,107	144,286	169,479
Impairment	(10,146)	(12,071)	(13,381)	(14,943)
Total	**508,985**	**583,171**	**669,459**	**747,607**

As of December 31, 2021, 2022, 2023 and May 31, 2024, our trade and bills receivables were RMB509.0 million, RMB583.2 million, RMB669.5 million and RMB747.6 million, respectively. The continual increase was in line with the growth of our intelligent automotive vision business and advanced display business.

We normally grant credit terms of 60 to 120 days to our customers. The aging analysis of our trade and bills receivables, net of allowance for credit losses, based on invoice date is as follows:

	As of December 31,			As of May 31,
	2021	2022	2023	2024
	(RMB in thousands)			
Within 60 days	270,222	360,058	431,968	522,808
61 to 120 days	169,624	111,016	145,319	134,549
121 to 180 days	53,681	103,994	87,911	70,752
181 days up to one year	15,450	8,072	3,437	17,285
One to two years	8	31	824	2,213
Total	**508,985**	**583,171**	**669,459**	**747,607**

Our trade and bills receivables aged between 121 to 180 days increased from RMB53.7 million as of December 31, 2021 to RMB104.0 million as of December 31, 2022 and decreased to RMB87.9 million and RMB70.8 million as of December 31, 2023 and May 31, 2024, respectively, primarily because some of our customers changed their payment methods between commercial acceptance drafts and bank acceptance drafts during the Track Record Period. Commercial acceptance drafts and bank acceptance drafts have different settlement cycles based on their respective accounting treatment. Bank acceptance drafts generally have shorter settlement cycles as compared to commercial acceptance drafts, because the full carrying amount of the endorsed drafts used by a company for settlements of payables and the associated payables settled can be derecognized for some of the bank acceptance drafts, after the company endorses such bank acceptance drafts. When a company endorses commercial acceptance drafts, such drafts continue to be recognized for their full carrying amount and the associated payables before the drafts mature, leading to longer settlement cycles. Our trade and bills receivables aged 181 days and up to one year increased from RMB3.4 million as of December 31, 2023 to RMB17.3 million as of May 31, 2024, primarily due to extended settlement with certain customers who had relatively longer payment cycles with their overseas clients.

During the Track Record Period, most of our trade and bills receivables were outstanding for less than one year. The following table sets forth the turnover days of our trade and bills receivables for the periods indicated:

	Year ended December 31,			Five months ended May 31,
	2021	**2022**	**2023**	**2024**
		(days)		
Trade and bills receivables turnover days[1]	112	144	124	129

Note:

(1) Trade and bills receivables turnover days equal the average of the opening and closing balances of trade and bills receivables divided by total revenue for the same period and multiplied by 360 days for 2021, 2022 and 2023, or by 150 days for the five months ended May 31, 2024.

Our trade and bills receivables turnover days increased from 112 in 2021 to 144 in 2022, and decreased to 124 in 2023, mainly because some of our customers changed their payment methods between commercial acceptance drafts and bank acceptance drafts during the Track Record Period. Commercial acceptance drafts and bank acceptance drafts have different settlement cycles based on their accounting treatment. Our trade and bills receivables turnover days remained relatively stable at 124 days and 129 days in 2023 and the five months ended May 31, 2024, respectively. No significant changes in the historical default rates of trade receivables, the economic conditions, performance, solvency or behavior of debtors were observed during the Track Record Period and up to the Latest Practicable Date. Therefore, we do not expect to experience any material issues with the recoverability of trade receivables in the foreseeable future.

As of August 31, 2024, RMB468.4 million, or 79.0%, of our trade receivables as of May 31, 2024 had been settled.

Financial Assets at Fair Value through Profit or Loss

Our financial assets at fair value through profit or loss recorded as current assets represented investments in wealth management products, primarily consisting of large-denomination certificates of deposits and structured deposits, which are short-term principal-guaranteed wealth management instruments. See Note 21 to the Accountants' Report of the Group in Appendix IA to this prospectus. We recorded financial assets at fair value through profit or loss of RMB111.3 million, RMB98.3 million, RMB187.5 million and RMB116.9 million as of December 31, 2021, 2022, 2023 and May 31, 2024, respectively. Our financial assets at fair value through profit or loss decreased by 11.7% from RMB111.3 million as of December 31, 2021 to RMB98.3 million as of December 31, 2022, primarily due to the redemption of our structured deposits at year end 2022. Our financial assets at fair value through profit or loss increased by 90.7% from RMB98.3 million as of December 31, 2022 to RMB187.5 million as of December 31, 2023, primarily due to our increased investment in wealth management products as a result of our increased amount of cash, in line with our overall business expansion and revenue growth. Our financial assets at fair value through profit or loss decreased by 37.7% from RMB187.5 million as of December 31, 2023 to RMB116.9 million as of May 31, 2024, primarily due to reduced investment in wealth management products. As of August 31, 2024, our financial assets at fair value through profit or loss amounted to RMB149.3 million, representing an increase in our investment in wealth management products.

We monitor and control our investment risks with a comprehensive set of internal policies and guidelines to manage our investments. Our current investments are principal-guaranteed wealth management products. In line with the company's business objectives and budget, we annually present a report detailing the proposed investment amount to both our Board and the general meeting of shareholders for their consideration and approval. Based on the approved investment quota, we will purchase wealth management products with idle funds while ensuring sufficient working capital to meet business needs, operating activities, R&D and capital expenditures, taking into account a number of factors including the macro-economic environment, general market conditions, risk control, credit of issuing financial institutions, our own working capital conditions, duration of the investment and the expected profit or potential loss of the investment. Our finance department plays a crucial role in proposing, analyzing, and evaluating potential investments in wealth management products. We strategically utilize our idle funds to invest in short-term wealth management products offered by banks. To control our risk exposure, we have been, and will continue to be, seeking other low-risk financial products. The purchase of relevant wealth management products is subject to the necessary approvals from the chief financial officer and the president of the Company before any investment within the approved limit can be executed. After making an investment, we closely monitor its performance and fair value on a regular basis. Our finance department will record details of each wealth management product, including purchase amount, redemption and return. A designated personnel from our finance department will actively monitor our expenditures and cash and bank balances. Upon the Listing, our investment in wealth management products is subject to the compliance with Chapter 14 of the Listing Rules.

Trade and Bills Payables

Our trade and bills payables primarily represent payables to the suppliers of raw materials and consumables and payables relating to equipment and construction costs. The aging analysis of our trade and bills payables, net of allowance for credit losses, based on invoice date is as follows:

	As of December 31,			As of May 31,
	2021	2022	2023	2024
	(RMB in thousands)			
Within one year	479,378	504,831	792,766	860,820
One to two years	510	1,927	224	3,263
Two to three years	—	544	1,126	—
Over three years	—	—	87	1,078
Total	**479,888**	**507,302**	**794,203**	**865,161**

As of December 31, 2021, 2022, 2023 and the five months ended May 31, 2024, our trade and bills payables were RMB479.9 million, RMB507.3 million, RMB794.2 million and RMB865.2 million, respectively. The increase in our trade and bills payables as of December 31, 2022 compared to December 31, 2021 was primarily due to the increase in the demand for raw materials and consumables in line with the expansion of our intelligent automotive vision business. The increase in our trade and bills payables as of December 31, 2023 compared to December 31, 2022 was primarily due to (i) an increase in the procurement volume of raw materials and consumables in line with the revenue growth of intelligent automotive vision and advanced display businesses and (ii) the longer trade and bills payables turnover days resulting from our enhanced bargaining power in procurement. The increase in our trade and bills payables as of May 31, 2024 compared to December 31, 2023 was primarily due to the increase in the procurement volume of raw materials and consumables in line with the growth of our intelligent automotive vision and advanced display businesses.

As of August 31, 2024, RMB354.3 million, or 75.4%, of our trade payables as of May 31, 2024 had been settled.

The following table sets forth the turnover days of our trade and bills payables for the periods indicated:

	Year ended December 31,			Five months ended May 31,
	2021	2022	2023	2024
	(days)			
Trade and bills payables turnover days[(1)]	132	151	154	181

Note:

(1) Trade and bills payables turnover days equal the average of the opening and closing balances of trade and bills payables divided by total cost of sales for the same period and multiplied by 360 days for 2021, 2022 and 2023, or by 150 days for the five months ended May 31, 2024.

Our trade and bills payables turnover days increased from 132 in 2021 to 151 in 2022, and further increased to 154 and 181 in 2023 and the five months ended May 31, 2024, respectively, primarily because as our procurement scale continued to grow, our bargaining power in procurement was also strengthened, allowing us to secure more favorable payment terms during negotiations with suppliers.

Other Payables and Accruals

Our other payables and accruals primarily represent (i) government subsidy payable, (ii) other payables including accrued receivables, salaries payable, prepaid expenses and deposit guarantees and (iii) payroll and welfare payables.

	As of December 31,			As of May 31,
	2021	2022	2023	2024
	(RMB in thousands)			
Deposits received	3,274	4,122	3,252	2,467
Payroll and welfare payable	30,583	32,383	36,657	28,952
Other payables	171,899	215,530	214,354	198,341
Government subsidy payable[(1)]	200,000	200,000	200,000	200,000
Other tax payables	11,101	4,519	8,469	11,094
Total	**416,857**	**456,554**	**462,732**	**440,854**

Note:

(1) Government subsidy payable represents the non-recurring subsidy stipulated in investment contracts, the attaching conditions of which are to be fulfilled in the following periods. The expansion of Lynway Ningbo production base in relation to an investment contract with the local government was delayed due to COVID-19 and is expected to commence operation in the first half of 2026.

Our other payables and accruals increased from RMB416.9 million as of December 31, 2021 to RMB456.6 million as of December 31, 2022 because we made more settlements through endorsement of commercial papers as our customers used more commercial papers in settlements, the amount of which was recognized as other payables before the maturity of the relevant commercial papers. Such commercial papers generally reach maturity in six months. As of December 31, 2021, 2022, 2023 and May 31, 2024, the average maturity period was 95 days, 96 days, 80 days and 77 days, respectively. Our other payables and accruals remained relatively stable at RMB456.6 million and RMB462.7 million as of December 31, 2022 and 2023, respectively. Our other payables and accruals decreased from RMB462.7 million as of December 31, 2023 to RMB440.9 million as of May 31 2024, primarily in relation to our payments for equipment and construction.

As of August 31, 2024, RMB121.1 million, or 27.5%, of our other payables and accruals as of May 31, 2024 had been settled.

Contract Assets and Contract Liabilities

We recorded contract assets of RMB3.7 million, RMB4.2 million, RMB5.4 million and RMB6.1 million as of December 31, 2021, 2022, 2023 and May 31, 2024, respectively. As of August 31, 2024, nil, of our contract assets as of May 31, 2024 had been certified.

We recorded contract liabilities of RMB7.8 million, RMB13.6 million, RMB14.0 million and RMB13.7 million as of December 31, 2021, 2022, 2023 and May 31, 2024, respectively. As of August 31, 2024, RMB0.5 million, or 3.9%, of our contract liabilities as of May 31, 2024 had been recognized as revenue.

Current Assets and Liabilities

The following table sets forth the components of our current assets and liabilities as of the dates indicated:

	As of December 31,			As of May 31,	As of August 31,
	2021	2022	2023	2024	2024
			(RMB in thousands)		
					(unaudited)
Current assets					
Inventories	188,028	211,579	216,026	250,736	285,404
Trade and bills receivables	508,985	583,171	669,459	747,607	898,573
Contract assets	3,685	4,246	5,445	6,144	6,179
Prepayments, deposits and other receivables	37,457	11,525	12,953	13,947	19,600
Financial assets at fair value through profit or loss	111,341	98,299	187,479	116,859	149,336
Pledged deposits	67,270	45,702	67,041	64,291	87,235
Cash and cash equivalents	96,778	108,231	209,878	280,085	286,715
Total current assets	**1,013,544**	**1,062,753**	**1,368,281**	**1,479,669**	**1,733,042**
Current liabilities					
Trade and bills payables	479,888	507,302	794,203	865,161	1,033,347
Other payables and accruals	416,857	465,554	462,732	440,854	443,213
Tax payable	—	—	—	1,215	2,084
Contract liabilities	7,802	13,636	13,995	13,661	14,143
Interest-bearing bank borrowings	15,181	25,147	29,481	454	483
Lease liabilities	—	271	287	293	297
Total current liabilities	**919,728**	**1,002,910**	**1,300,698**	**1,321,638**	**1,493,567**
Net current assets	**93,816**	**59,843**	**67,583**	**158,031**	**239,475**

Our net current assets increased by 51.6% from RMB158.0 million as of May 31, 2024 to RMB239.5 million as of August 31, 2024, primarily due to increases in trade and bills receivables and inventories, partially offset by an increase in trade and bills payables. Such changes were primarily in line with the expansion of our high-end lighting and advanced display businesses.

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

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

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

INDEBTEDNESS

As of December 31, 2021, 2022, 2023 and May 31 and August 31, 2024, our indebtedness primarily included bank borrowings. The table below sets forth the details of our indebtedness as of the dates indicated:

	As of December 31,			As of May 31,	As of August 31,
	2021	2022	2023	2024	2024
	(RMB in thousands)				
					(unaudited)
Current					
Interest-bearing bank borrowings	15,181	25,147	29,481	454	483
Lease liabilities	—	271	287	293	297
Non-current					
Interest-bearing bank borrowings	135,000	105,000	50,742	62,110	65,182
Lease liabilities	—	909	623	637	314
Total	**150,181**	**131,327**	**80,683**	**63,494**	**66,276**

Save as disclosed in the table above, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of August 31, 2024.

Bank Borrowings

The table below sets forth the details of our bank borrowings as of the dates indicated:

	As of December 31,			As of May 31,	As of August 31,
	2021	2022	2023	2024	2024
	(RMB in thousands)				*(unaudited)*
Current					
Interest-bearing bank borrowings	15,181	25,147	29,481	454	483
Non-current					
Interest-bearing bank borrowings	135,000	105,000	50,472	62,110	65,182
Total	**150,181**	**130,147**	**79,953**	**62,564**	**65,665**

Our bank borrowings comprised both secured and unsecured bank loans, with effective interest rates ranging from 2.95% to 4.28% per annum. As of December 31, 2021, 2022, 2023 and May 31 and August 31, 2024, the aggregate balance of our borrowings was RMB150.2 million, RMB130.1 million, RMB80.0 million, RMB62.6 million and RMB65.7 million, respectively. As of August 31, 2024, we had unutilized banking facilities of RMB78.4 million.

Our bank borrowings agreements contain standard terms, conditions and covenants that are customary for commercial bank loans. As of the Latest Practicable Date, the agreements relating to our borrowings did not contain any covenant that would have a material adverse effect on our ability to make additional borrowings or issue debt or equity securities in the future. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material difficulties in obtaining credit facilities, withdrawal of facilities or requests for early repayment. For details, see Note 27 to the Accountants' Report of the Group in Appendix IA to this prospectus.

Our Directors confirm that there has not been any material change in our indebtedness since August 31, 2024 up to the date of this prospectus.

CONTINGENT LIABILITIES

As of August 31, 2024, we were not involved in any material legal, arbitration or administrative proceedings that were expected to materially and adversely affect our financial condition or results of operations, although there can be no assurance that this will not be the case in the future. Our Directors confirm that there has been no material change in our contingent liabilities since August 31, 2024 to the date of this prospectus.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Historically, we funded our working capital primarily from operating activities and bank borrowings. We expect to use a portion of the proceeds from the Global Offering to fund our working capital requirements.

Working Capital Sufficiency

Taking into account our operating cash flow and the net proceeds from the Global Offering and the financial resources available to us, our Directors believe, and the Sole Sponsor concurs with our Directors that, we have sufficient working capital for our present requirements, that is, for at least 12 months from the date of this prospectus.

Cash Flows

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

	Year ended December 31,			Five months ended May 31,	
	2021	2022	2023	2023	2024
	(RMB in thousands)				
				(unaudited)	
Cash generated from operations	93,575	120,554	424,735	201,866	43,705
Interest received	2,800	3,241	3,276	1,289	1,627
Income taxes (paid)/refund	(9,128)	1,492	3,481	3,481	(3,109)
Net cash flows from operating activities	**87,247**	**125,287**	**431,492**	**206,636**	**42,223**
Net cash flows used in investing activities	**(281,024)**	**(85,720)**	**(272,750)**	**(266,035)**	**3,275**
Net cash flows from/(used in) financing activities	**116,220**	**(28,524)**	**(57,070)**	**3,465**	**24,529**
Net (decrease)/increase in cash and cash equivalents	**(77,557)**	**11,043**	**101,672**	**(55,934)**	**70,027**
Cash and cash equivalents at beginning of the year/period	174,391	96,778	108,231	108,231	209,878
Effect of foreign exchange rate changes, net	(56)	410	(25)	(184)	180
Cash and cash equivalents at the end of the year/period	**96,778**	**108,231**	**209,878**	**52,113**	**280,085**

Net Cash Flows from Operating Activities

Net cash generated from or used in operating activities primarily comprised our profit before taxation for the period adjusted by (i) non-cash items, (ii) changes in working capital and (iii) the effect of interest received and income taxes paid or refunded.

In the five months ended May 31, 2024, we had net cash flows from operating activities of RMB42.2 million, which was primarily due to (i) an increase in trade and bills payables of RMB80.3 million and (ii) depreciation of property, plant and equipment of RMB50.8 million, partially offset by (i) an increase in trade and bills receivables of RMB79.9 million and (ii) an increase in inventories of RMB41.4 million. Our net cash flows from operating activities decreased from RMB206.6 million in the five months ended May 31, 2023 to RMB42.2 million in the five months ended May 31, 2024, primarily due to the increase in trade and bills receivables as some of our customers changed their payment methods between commercial acceptance drafts and bank acceptance drafts. See "— Description of Certain Components of Our Consolidated Statements of Financial Position — Trade and Bills Receivables."

In 2023, we had net cash flows from operating activities of RMB431.5 million, primarily due to (i) depreciation of property, plant and equipment of RMB118.5 million, (ii) an increase in trade and bills payables of RMB255.8 million and (iii) an increase in other payables and accruals of RMB50.2 million, partially offset by (i) an increase in trade and bills receivables of RMB88.0 million and (ii) an increase in inventories of RMB34.6 million.

In 2022, we had net cash flows from operating activities of RMB125.3 million, primarily due to (i) depreciation of property, plant and equipment of RMB97.5 million, (ii) an increase in other payables and accruals of RMB40.2 million and (iii) an increase in trade and bills payables of RMB34.3 million, partially offset by (i) an increase in trade and bills receivables of RMB76.0 million and (ii) an increase in inventories of RMB39.9 million.

In 2021, we had net cash flows from operating activities of RMB87.2 million, primarily due to (i) depreciation of property, plant and equipment of RMB61.2 million, (ii) an increase in other payables and accruals of RMB46.0 million and (iii) an increase in trade and bills payables of RMB46.4 million, partially offset by (i) an increase in trade and bills receivables of RMB130.0 million and (ii) an increase in inventories of RMB34.3 million.

Net Cash Flows (Used in)/From Investing Activities

In the five months ended May 31, 2024, we had net cash flows from investing activities of RMB3.3 million, which was primarily attributable to the proceeds from the disposal of financial assets at fair value through profit or loss of RMB462.0 million, partially offset by the purchases of financial assets at fair value through profit or loss of RMB391.0 million and the purchases of items of property, plant and equipment of RMB68.8 million.

In 2023, we had net cash flows used in investing activities of RMB272.8 million, which was primarily attributable to the purchase of financial assets at fair value through profit or loss of RMB1,637.0 million, partially offset by the proceeds from disposal of items of financial assets at fair value through profit of loss of RMB1,549.0 million.

In 2022, we had net cash flows used in investing activities of RMB85.7 million, which was primarily attributable to the purchase of financial assets at fair value through profit or loss of RMB795.5 million and the purchase of items of property, plant and equipment of RMB118.1 million, partially offset by the proceeds from the disposal of financial assets at fair value through profit or loss of RMB808.4 million.

In 2021, we had net cash flows used in investing activities of RMB281.0 million, which was primarily attributable to the purchase of financial assets at fair value through profit or loss of RMB405.9 million and the purchase of items of property, plant and equipment of RMB223.7 million, partially offset by the proceeds from the disposal of financial assets at fair value through profit or loss of RMB381.3 million.

Net Cash Flows from/(Used in) Financing Activities

In the five months ended May 31, 2024, we had net cash flows from financing activities of RMB24.5 million, which was primarily attributable to the capital contribution from shareholders of RMB43.2 million and new bank borrowings of RMB11.6 million, partially offset by the repayment of bank borrowings of RMB29.4 million.

In 2023, we had net cash flows used in financing activities of RMB57.1 million, which was primarily attributable to the repayment of bank borrowings of RMB79.5 million, partially offset by the new bank borrowings of RMB29.4 million.

In 2022, we had net cash flows used in financing activities of RMB28.5 million, which was primarily attributable to the repayment of bank borrowings of RMB65.6 million, partially offset by the new bank and other borrowings of RMB43.9 million.

In 2021, we had net cash flows from financing activities of RMB116.2 million, which was primarily attributable to the new bank and other borrowings of RMB252.0 million, partially offset by the repayment of bank borrowings of RMB131.0 million.

SELECTED FINANCIAL RATIOS

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

	Year ended December 31,			Five months ended May 31,	
	2021	2022	2023	2023	2024
				(unaudited)	
Revenue growth[(1)]	—	1.6%	31.7%	—	35.0%
Gross profit growth[(2)]	—	3.0%	44.1%	—	47.9%
Gross profit margin[(3)]	16.4%	16.7%	18.2%	16.7%	18.3%
Adjusted net profit margin (non-IFRS measure)[(4)]	5.7%	2.9%	4.4%	1.3%	5.6%
Adjusted EBITDA margin (non-IFRS measure)[(5)]	11.9%	9.1%	11.7%	9.8%	12.7%

	As of December 31,			As of May 31,
	2021	2022	2023	2024
Current ratio *(times)*[(6)]	1.1	1.1	1.1	1.1
Quick ratio *(times)*[(7)]	0.9	0.8	0.9	0.9
Gearing ratio[(8)]	16.5%	13.7%	7.8%	5.7%

Notes:

(1) Revenue growth is calculated as the period-on-period growth rate of revenue.

(2) Gross profit growth is calculated as the period-on-period growth rate of gross profit.

(3) The calculation of gross profit margin is based on gross profit for the period divided by revenue and multiplied by 100%. See "— Principal Components of Our Consolidated Statements of Profit or Loss — Gross Profit/(Loss) and Gross Margin."

(4) Adjusted net profit margin (non-IFRS measure) is calculated as adjusted net profit (non-IFRS measure) divided by revenue and multiplied by 100%.

(5) Adjusted EBITDA margin (non-IFRS measure) is calculated as adjusted EBITDA (non-IFRS measure) divided by revenue and multiplied by 100%.

(6) Current ratio is calculated as current assets divided by current liabilities as of the relevant period end.

(7) Quick ratio is calculated as current assets less inventories divided by current liabilities as of the relevant period end.

(8) Gearing ratio is calculated as total bank borrowings divided by the total equity as of the end of the respective period and multiplied by 100%.

Revenue growth

See "— Results of Operations" for a discussion of the factors affecting our revenue growth during the Track Record Period.

Gross profit growth

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

Gross profit margin

Our gross profit margin increased from 16.4% in 2021 to 16.7% in 2022, and further increased to 18.2% in 2023, primarily due to (i) the development of our intelligent automotive business and advanced display business, (ii) the increased sales of our high-end lighting products with high profit margin, and (iii) our enhanced production management and improved production efficiency. Our gross profit margin increased from 16.7% in the five months ended May 31, 2023 to 18.3% in the five months ended May 31, 2024, primarily due to (i) improved operational efficiencies achieved from the growth of our intelligent automotive business, (ii) the increased sales of our high-tech and high-profit margin products in the high-end lighting business, and (iii) measures taken to maintain the competitive advantage of our products, including product design optimization, process improvement and enhanced supply chain management. See "— Results of Operations" for a discussion of the factors affecting our gross profit margin during the Track Record Period.

Adjusted net profit margin (non-IFRS measure)

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

Adjusted EBITDA margin (non-IFRS measure)

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

Current ratio

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

Quick ratio

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

Gearing ratio

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

CAPITAL EXPENDITURES

During the Track Record Period, we incurred capital expenditures mainly for purchases of financial assets at fair value through profit or loss and purchase of items of property, plant and equipment. The following table sets forth a breakdown of our capital expenditures for the periods indicated:

	Year ended December 31,			Five months ended May 31,	
	2021	2022	2023	2023	2024
			(RMB in thousands)		
				(unaudited)	
Purchases of financial assets at fair value through profit or loss	405,900	795,500	1,637,000	694,000	391,000
Purchases of items of property, plant and equipment	223,691	118,093	165,973	80,911	68,799
Purchases of intangible assets	2,567	4,433	2,979	972	3,168
Acquisition of a subsidiary, net of cash and cash equivalents held by subsidiary at the acquisition date	13,619	—	—	—	—
Total	**645,777**	**918,026**	**1,805,952**	**775,883**	**462,967**

Our capital expenditures amounted to RMB645.8 million, RMB918.0 million, RMB1,806.0 million, RMB775.9 million and RMB463.0 million in 2021, 2022, 2023 and the five months ended May 31, 2023 and 2024, respectively. We funded our capital expenditure requirements during the Track Record Period mainly from cash generated from operations. Going forward, we intend to use capital expenditures primarily for (i) the production capacity expansion of our intelligent automotive vision business and advanced display business and (ii) technical upgrades and efficiency improvement of our equipment and machinery.

We plan to fund our planned capital expenditures using cash generated from operations and the net proceeds from the Global Offering. See "Future Plans and Use of Proceeds." We may reallocate the fund to be utilized on capital expenditure based on our ongoing business needs.

RELATED PARTY TRANSACTIONS

For details about our related party transactions during the Track Record Period, see Note 36 to Appendix IA to this prospectus. Our Directors believe that our transactions with related parties during the Track Record Period were conducted on normal commercial terms and on an arm's-length basis and would not distort our results of operations or make our historical results not reflective of our future performance.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we did not have any outstanding off-balance sheet arrangements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT FINANCIAL RISKS

Our principal financial instruments comprise interest-bearing bank loans, finance assets at fair value through profit or loss and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for our operations. We have various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from our operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. Our Board reviews and agrees policies for managing each of these risks, and they are summarized below:

Foreign Currency Risk

We have transactional currency exposures. Such exposures arise from sales or purchases by operating units and investing and financing activities by investment holding units in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity at the end of each period of the Track Record Period to a reasonably possible change in the foreign exchange rates, with all other variables held constant, of our profit before tax.

	Increase/(decrease) in foreign currency rate	Increase/(decrease) in profit before tax
	%	*(RMB in thousands)*
As of May 31, 2024		
If the RMB weakens against the USD	5	4,554
If the RMB strengthens against the USD	(5)	(4,554)
As of December 31, 2023		
If the RMB weakens against the USD	5	2,760
If the RMB strengthens against the USD	(5)	(2,760)
As of December 31, 2022		
If the RMB weakens against the USD	5	3,701
If the RMB strengthens against the USD	(5)	(3,701)
As of December 31, 2021		
If the RMB weakens against the USD	5	853
If the RMB strengthens against the USD	(5)	(853)

Credit Risk

An impairment analysis was performed at the end of each period of the Track Record Period using a provision matrix to measure expected credit losses. The provision rates are based on aging for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on our Group's credit policy, which is mainly based on aging information unless other information is available without undue cost or effort, and year-end staging classification as of the end of each period of the Track Record Period. The amounts presented are gross carrying amounts for financial assets.

As of December 31, 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables	—	—	—	508,985	508,985
Financial assets included in prepayments, other receivables and other assets	2,652	—	—	—	2,652
Pledged deposits	67,270	—	—	—	67,270
Cash and cash equivalents	96,778	—	—	—	96,778
Total	**166,700**	**—**	**—**	**508,985**	**675,685**

As of December 31, 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables	—	—	—	583,171	583,171
Financial assets included in prepayments, other receivables and other assets	489	—	—	—	489
Pledged deposits	45,702	—	—	—	45,702
Cash and cash equivalents	108,231	—	—	—	108,231
Total	**154,422**	**—**	**—**	**583,171**	**737,593**

As of December 31, 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables	—	—	—	669,459	669,459
Financial assets included in prepayments, other receivables and other assets	840	—	254	—	1,094
Pledged deposits	67,041	—	—	—	67,041
Cash and cash equivalents	209,878	—	—	—	209,878
Total	**277,759**	**—**	**254**	**669,459**	**947,472**

As of May 31, 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables	—	—	—	757,370	757,370
Financial assets included in prepayments, other receivables and other assets	1,070	—	254	—	1,324
Pledged deposits	64,291	—	—	—	64,291
Cash and cash equivalents	280,085	—	—	—	280,085
Total	**345,446**	**—**	**254**	**757,370**	**1,103,070**

Liquidity Risk

Our Group monitors the risk of a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both our financial instruments and financial assets (e.g., trade and bills receivables) and projected cash flows from operations.

The maturity profile of our Group's financial liabilities as of the end of each period of the Track Record Period, based on the contractual undiscounted payments, is as follows:

As of December 31, 2021

	Less than 1 year	1 to 3 years	Over 3 years	Total
		(RMB in thousands)		
Interests-bearing bank loans	21,408	91,743	54,093	167,244
Trade and bills payables	479,888	—	—	479,888
Other payables and accruals	371,711	—	—	371,711
	873,007	**91,743**	**54,093**	**1,018,843**

As of December 31, 2022

	Less than 1 year	1 to 3 years	Over 3 years	Total
		(RMB in thousands)		
Interests-bearing bank loans	30,300	110,437	—	140,737
Lease liabilities	330	661	330	1,321
Trade and bills payables	507,302	—	—	507,302
Other payables and accruals	415,159	—	—	415,159
	953,091	**111,098**	**330**	**1,064,519**

As of December 31, 2023

	Less than 1 year	1 to 3 years	Over 3 years	Total
		(RMB in thousands)		
Interests-bearing bank loans	31,624	51,840	—	83,464
Lease liabilities	330	661	—	991
Trade and bills payables	794,203	—	—	794,203
Other payables and accruals	416,421	—	—	416,421
	1,242,578	**52,501**	**—**	**1,295,079**

As of May 31, 2024

	Less than 1 year	1 to 3 years	Over 3 years	Total
	(RMB in thousands)			
Interest-bearing bank borrowings	2,794	53,451	10,467	66,712
Lease liabilities	330	661	—	991
Trade and bills payables	865,161	—	—	865,161
Other payables and accruals	399,226	—	—	399,226
Total	1,267,511	54,112	10,467	1,332,090

Capital Management

The primary objective of our Group's capital management is to ensure that we maintain a strong credit profile and healthy capital ratios in order to support our business and maximize shareholder value.

Our Group manages the capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, our Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year.

Our Group monitors capital using the debt/asset ratio, which is total liabilities divided by total assets. The debt-to-asset ratios as of the end of each period of the Track Record Period were as follows:

	As of December 31,			As of May 31,
	2021	2022	2023	2024
	(RMB in thousands)			
Total liabilities	1,069,997	1,126,587	1,373,794	1,404,806
Total assets	1,979,856	2,077,669	2,400,157	2,509,587
Debt-to-asset ratio	54%	54%	57%	56%

DIVIDEND POLICY

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

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

Pursuant to the relevant provisions of the Company Law of the PRC, prior to the allocation of post-tax profits to shareholders, a company is mandated to make up any accrued losses and adhere to the prescribed extraction of statutory reserves as per regulatory requirements. Consequently, if the post-tax profits of a company prove insufficient to adequately offset extant losses, the company remains proscribed from distributing post-tax profits amongst its shareholders.

Any proposed distribution of dividends shall be formulated by our Board and will be subject to approval in our shareholders' meeting. We currently do not have any pre-determined dividend payout ratio. A decision to declare or to pay any dividends in the future, and the amount of any such dividends, will depend on a number of factors, including our results of operations, cash flows, financial condition, payments by our subsidiaries of cash dividends to us, business prospects, statutory, regulatory and contractual restrictions on our declaration and payment of dividends and other factors that our Board may consider important. Over the next three years, we intend to adopt a dividend payout ratio of no less than 30% of our net profit of the year of dividend payment, according to our business operations and cash flow position, which is subject to the approvals of the Board and the shareholders' meeting. No dividend will be declared or payable except out of our profits and reserves lawfully available for distribution. There can be no assurance that dividends of any amount will be declared or distributed in any year.

DISTRIBUTABLE RESERVES

As of May 31, 2024, our Company had RMB337.2 million of retained profits available for distribution to our shareholders, according to the conditions under the PRC laws.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

See "Appendix II — Unaudited Pro Forma Financial Information."

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

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

LISTING EXPENSES

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

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.

In particular, we plan to establish Lynway Guangdong production base[1], 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.

(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;

  - 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.

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.

HONG KONG UNDERWRITERS

CLSA Limited
GF Securities (Hong Kong) Brokerage Limited
Sinolink Securities (Hong Kong) Company Limited
BOCI Asia Limited
ABCI Securities Company Limited
ICBC International Securities Limited
China Galaxy International Securities (Hong Kong) Co., Limited
China Sunrise Securities (International) Limited
Futu Securities International (Hong Kong) Limited
Patrons Securities Limited
Tiger Brokers (HK) Global Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company has agreed to offer the Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of the Hong Kong Underwriting Agreement and this prospectus.

Subject to (a) the Stock Exchange granting approval for the listing of, and permission to deal in, our H Shares in issue and to be issued pursuant to the Global Offering on the Main Board as mentioned in this prospectus (including any additional H Shares which maybe allotted and issued pursuant to the exercise of the Offer Size Adjustment Option) and such approval not having been withdrawn; and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed, severally but not jointly, to subscribe, or procure subscribers to subscribe, for the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and subject to the conditions set out in this prospectus and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination by written notice from the Sole Sponsor and the Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters), at any time prior to 8:00 a.m. on the Listing Date if:

(1) there develops, occurs, exists or comes into force:

(a) any local, national, regional, or international event or circumstance in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of infectious disease (including contagious coronavirus (COVID-19), SARS, swine or avian flu, H5N1, H1N1, H7N9 or such related/mutated forms), economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism (whether or not responsibility has been claimed)) in or affecting Hong Kong, the PRC, the United States or any other jurisdiction relevant to any member of the Group or the Global Offering (collectively, the "**Relevant Jurisdictions**" and each, a "**Relevant Jurisdiction**"); or

(b) any change, or any development involving a prospective change or development in (whether or not permanent), or any event or circumstance or series of events resulting or likely to result in any change or development, or a prospective change or development, in any local, national, regional or international financial, political, military, industrial, fiscal, economic, regulatory, currency, credit, currency or market conditions, or exchange control or any monetary or trading settlement system or other financial markets (including, but not limited to, a change in the conditions in stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets or a change in the system under which the value of the Hong Kong dollar is linked to the U.S. dollar or Renminbi is linked to any foreign currency or currencies) in or affecting any of the Relevant Jurisdictions; or

(c) any moratorium, suspension, limitation or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the New York Stock Exchange or the NASDAQ Global Market; or

(d) any general moratorium on commercial banking activities in or affecting Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), New York (imposed at the U.S. Federal or New York

State level or by other competent authority), or any other Relevant Jurisdictions (declared by the relevant authorities), or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of the Relevant Jurisdictions; or

(e) any new law, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in, or in the interpretation or application by any court or other competent authorities of, existing laws, in each case, in or affecting any Relevant Jurisdiction; or

(f) any imposition of economic sanctions, or the withdrawal of trading privileges, in respect of any jurisdiction relevant to the business operations of the Group, in whatever form, directly and indirectly, by, or for, any Relevant Jurisdictions; or

(g) any change or development involving a prospective change in or affecting Taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the U.S. dollar, Euro, Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or

(h) any litigation, legal action (except for any investigation or other action as stipulated in (i) below) or claim being threatened or instigated against any member of the Group or any Director or Supervisor; or

(i) an authority in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any member of the Group or any Director or Supervisor; or

(j) any Director, Supervisor or senior management member of the Company as named in this prospectus being charged with or found guilty of an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company or taking directorship of a company or there is commencement by any authority of any investigation or other action against any Director, Supervisor or member of senior management of the Company in his or her capacity as such or any member of the Group or any announcement by any authority that it intends to commence any such investigation or take any such action; or

(k) any Director, or president or financial controller of the Company vacating his or her office; or

(l) save as disclosed in this prospectus, any contravention by any member of the Group or any Director or Supervisor of any applicable laws (including, without limitation, the Listing Rules or the Companies (Winding Up and Miscellaneous Provisions) Ordinance); or

(m) a prohibition by any competent authority on the Company for whatever reason from offering, allotting, issuing, selling the Offer Shares (including any additional H Shares that may be issued pursuant to the exercise of the Offer Size Adjustment Option) pursuant to the terms of the Global Offering; or

(n) any change or development involving a prospective change which has the effect of materialization of, any of the risks set out in the section headed "Risk Factors" in this prospectus; or

(o) non-compliance of this prospectus, the CSRC filings (or any other documents used in connection with the contemplated offer, subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules, the rules of the CSRC or any other applicable laws; or

(p) any breach or any event or circumstance rendering untrue or incorrect in any respect, any of the warranties specified in the Hong Kong Underwriting Agreement; or

(q) the issue or requirement to issue by the Company of any supplement or amendment to this prospectus, (or to any other documents in connection with the contemplated offer, subscription and sale of the Offer Shares) pursuant to the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange, the SFC and/or the CSRC, unless such supplemental or amendment has been issued with the prior written consent of the Sole Sponsor and the Sole Overall Coordinator; or

(r) an order or a petition is presented for the winding up or liquidation of any member of the Group or any member of the Group makes any composition, compromise or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group; or

(s) a valid demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity, which, individually or in the aggregate, in the sole and absolute opinion of the Sole Sponsor and the Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters),

(A) has or will have or is likely to have a material adverse effect or change, or any development involving a prospective material adverse effect or material adverse change, in or affecting the assets, liabilities, business, general affairs, management, prospects, Shareholders' equity, revenue, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Company and the other members of the Group, taken as a whole; or

(B) has or will have or is likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or

(C) makes or will make or is likely to make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to be performed or implemented as envisaged or to market the Global Offering, or to deliver the Offer Shares on the terms and in the manner contemplated by this prospectus, the formal notice, the preliminary offering circular or the final offering circular; or

(D) has or will have or is likely to have the effect of (i) making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or (ii) preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(2) there has come to the notice of the Sole Sponsor and the Sole Overall Coordinator as at or after the date of the Hong Kong Underwriting Agreement:

(a) that any statement contained in any of the Offering Documents (as defined in the Hong Kong Underwriting Agreement), the CSRC filing and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) (collectively, the "**Offer Related Documents**") was, when it was issued, or has become, untrue, incorrect, inaccurate, incomplete or misleading or deceptive in any material respect, or that any forecast, estimate, expression of opinion, intention or expectation expressed or contained in any of the Offer Related Documents is not fair and honest, not made on reasonable grounds or, where appropriate, not based on reasonable assumptions with reference to the facts and circumstances then subsisting; or

(b) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission or misstatement from any of the Offer Related Documents; or

(c) a prohibition by a relevant authority on the Company for whatever reason from allotting or issuing the H Shares (including the Offer Size Adjustment Option Shares) pursuant to the terms of the Global Offering; or

(d) that any material breach of the obligations or undertakings imposed upon any party to, the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Sole Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Sole Sponsor, Hong Kong Underwriters or the International Underwriters); or

(e) any event, act or omission which gives rise to or is likely to give rise to any liability of any of the Company or the Warranting Shareholder under the Hong Kong Underwriting Agreement; or

(f) that there is any material adverse effect or change, or any development involving a prospective material adverse effect or material adverse change, in or affecting the assets, liabilities, business, general affairs, management, prospects, Shareholders' equity, revenue, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Company and the other members of the Group, taken as a whole; or

(g) that the approval of the Stock Exchange of the listing of, and permission to deal in, the H Shares in issue and to be issued pursuant to the Global Offering (including any additional H Shares that may be issued pursuant to the exercise of the Offer Size Adjustment Option) is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld; or

(h) that the Company withdraws any of the Hong Kong Public Offering document or the Global Offering; or

(i) any of the experts specified in this prospectus (other than the Sole Sponsor) has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or

(j) that there is a material breach of, or any matter circumstance or event rendering any of the warranties given by our Company or any of the Warranting Shareholders is (or might when repeated be) being untrue or misleading or inaccurate; or

(k) a material portion of the orders in the book-building process or the investment commitments by placees have been withdrawn, terminated or cancelled,

then the Sole Sponsor and the Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters), shall be entitled, in its sole and absolute discretion, by giving a written notice to our Company and Warranting Shareholders, to terminate the Hong Kong Underwriting Agreement with immediate effect if prior to 8:00 a.m. on the Listing Date. The exercise of right of the Sole Sponsor and the Sole Overall Coordinator under the termination clause of the Hong Kong Underwriting Agreement shall be final, conclusive and binding on the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Hong Kong Underwriters.

Undertakings to the Stock Exchange Pursuant to the Listing Rules

(A) Undertakings by our Company

In accordance with Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the Listing Date) except for: (a) any capitalization issue, capital reduction or consolidation or sub-division of Shares; or (b) issue of Shares or our securities pursuant to the Global Offering and the Offer Size Adjustment Option; or (c) any other applicable circumstances provided under Rule 10.08 of the Listing Rules.

(B) Undertakings by our Controlling Shareholders

In accordance with the relevant requirements under Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and the Company that:

(a) at any time in the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders in the Company is made in this prospectus and ending on the date which is six months from the Listing Date (the "**First Six Month Period**"), each of our Controlling Shareholder shall not and shall procure that the relevant registered holder(s) shall not dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which the Controlling Shareholder(s) is shown by this prospectus to be the beneficial owner(s) (the "**Relevant Securities**");

(b) at any time in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, each of our Controlling Shareholders shall not and shall procure that the relevant registered holder(s) shall not dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon exercise or enforcement of such options, rights, interests or encumbrances, the Controlling Shareholders would cease to be the Controlling Shareholders (as defined in the Listing Rules) of the Company;

(c) within the period commencing on the date by reference to which disclosure of shareholdings of the Controlling Shareholders in the Company is made in the Prospectus and ending on the date which is 12 months from the Listing Date, each of our Controlling Shareholders will:

(i) when any of our Controlling Shareholders pledges or charges any Relevant Securities or interests in any of the Relevant Securities, whether directly or indirectly, in favor of any authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan pursuant to Note (2) to Rule 10.07(2), immediately inform the Company of such pledge or charge together with the number of Relevant Shares of the Company so pledged or charged; and

(ii) when any of our Controlling Shareholders receives indications, either verbal or written, from the pledgee or chargee of any Relevant Securities that any of the pledged or charged securities of the Company will be disposed of, immediately inform the Company in writing of such indications.

Our Company will inform the Stock Exchange in writing as soon as we have been informed of matters referred in above by any of our Controlling Shareholders and disclose such matters by way of announcement pursuant to the requirements under the Listing Rules as soon as possible.

Undertakings pursuant to the Hong Kong Underwriting Agreement

(A) Undertakings by our Company

Our Company has undertaken to each of the Sole Sponsor, the Sole Overall Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries, that except for the offer, allotment, issue and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Offer Size Adjustment Option), at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling the First Six-Month Period, our Company will not, without the prior written consent of the Sole Sponsor and the Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(i) offer, allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, make any short sell or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any H Shares or other equity securities of our Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any H Shares or other equity securities of our Company, as applicable, or any interest in any of the foregoing), or deposit any H Shares or other equity securities of our Company, as applicable, with a depositary in connection with the issue of depositary receipts; or

(ii) enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of any H Shares or other equity securities of our Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any H Shares or other equity securities of our Company, or any other interest in any of the foregoing); or

(iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above; or

(iv) offer to or agree to or announce any intention to effect any transaction specified in (i), (ii) or (iii) above,

in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of H Shares or other securities of our Company, or in cash or otherwise (whether or not the issue of such H Shares or other equity securities of our Company will be completed within the First Six-month Period).

During the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), our Company shall not enter into any of the transactions specified in (i), (ii) or (iii) above or offer to or agree to or announce any intention to enter into any such transaction, such that any Controlling Shareholder would, directly or indirectly, cease to be a controlling shareholder (within the meaning defined in the Listing Rules) of our Company. In the event that our Company enters into any of the transactions specified in (i), (ii) or (iii) above or offers to or agrees to or announces any intention to enter into any such transaction, our Company shall take all reasonable steps to ensure that it will not, and no other act of our Company will, create a disorderly or false market in the securities of the Company.

(B) Undertakings by our Warranting Shareholders

Each of our Warranting Shareholders has jointly and severally agreed and undertaken to each of the Company, the Sole Sponsor, the Sponsor-Overall Coordinator, the Sole Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries that, except as pursuant to the Global Offering and the exercise of the Offer Size Adjustment Option and the issue of the H Shares thereof, without the prior written consent of the Sole Sponsor and the Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(i) it/he/she will not, at any time during the First Six-Month Period, (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, assign, make short sell or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any H Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any H Shares or any such other securities of our Company, as applicable), or deposit any H Shares or other securities of our Company with a depositary in connection with the issue of depositary receipts, or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any H Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any H Shares or any such other equity securities, as applicable), or (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above, or (d) offer to or contract to or agree to or announce any intention to enter into any transaction specified in (a), (b) or (c) above, in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of H Shares or other securities of our Company or in cash or otherwise (whether or not the settlement or delivery of such H Shares or other securities will be completed within the First Six-Month Period);

(ii) until the expiry of the Second Six-Month Period, it/he/she will not enter into any of the transactions specified in (a), (b) or (c) above or offer to or agree to or announce any intention to enter into any such transaction if, immediately following such transaction, it/he/she will cease, whether individually or collectively with the other Controlling Shareholders, to be a controlling shareholder of our Company. In the event that it/he/she enters into any of the transactions specified in (a), (b), (c) or (d) above or offers to or agrees to or announces any intention to enter into any such transaction after the expiry of the Second Six-Month Period, it/he/she will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company, provided that, subject to strict compliance with any requirements of applicable laws (including, without limitation and for the avoidance of doubt, the requirements of the Stock Exchange or of the SFC or of any other relevant authority), nothing in the undertakings above shall prevent any of our Warranting Shareholders from (i) purchasing additional H Shares or other securities of our Company and disposing of such additional H Shares or other securities of our Company, (ii) using the H Shares or other securities of our Company or any interest therein beneficially owned by it as security (including without limitation a charge or a pledge) in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan.

Offer Size Adjustment Option

As part of the Global Offering, our Company has the Offer Size Adjustment Option under the Hong Kong Underwriting Agreement, pursuant to which, our Company may issue and allot any number of up to an aggregate of 5,040,000 H Shares, representing approximately 15% of the Offer Shares initially offered under the Global Offering, at the Offer Price, to cover additional market demand, if any. The Offer Size Adjustment Option may be exercised by our Company after consultation with the Sole Overall Coordinator prior to the execution of the International Underwriting Agreement and will expire upon execution of the International Underwriting Agreement. These additional Offer Shares (the "**Offer Size Adjustment Option Shares**"), if any, will be allocated in such manner as closely as practicable to maintain the proportionality between the Hong Kong Public Offering and the International Offering following the application of the reallocation arrangement described in "Structure of the Global Offering — The Hong Kong Public Offering — Reallocation" below and the Sole Overall Coordinator shall allocate additional new H Shares to be offered by our Company pursuant to the International Offering to the Hong Kong Public Offering in order to maintain such proportionality and the relevant number of Offer Size Adjustment Option Shares shall be allocated to the International Offering to maintain such proportionality.

Indemnity

We and our Warranting Shareholders have agreed to indemnify, among others, the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries for certain losses which they may suffer, including, among others, losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company and our Warranting Shareholders of the Hong Kong Underwriting Agreement.

The International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that our Company and our Warranting Shareholders will enter into the International Underwriting Agreement with the Sole Sponsor, the Sole Overall Coordinator and the International Underwriters. Under the International Underwriting Agreement, subject to the conditions set forth therein, the International Underwriters would severally and not jointly agree to purchase, or procure purchasers to purchase, the Offer Shares being offered pursuant to the International Offering (subject to, among others, any reallocation between the International Offering and the Hong Kong Public Offering). It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors are reminded that in the event that the International Underwriting Agreement is not entered into, or is terminated, the Global Offering will not proceed.

It is expected that each of our Warranting Shareholders will undertake to the International Underwriters not to dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interest or encumbrances in respect of any of the H Shares held by it in our Company for a period similar to such undertakings given by them pursuant to the Hong Kong Underwriting Agreement, which is described in "— Underwriting Arrangements and Expenses — Undertakings pursuant to the Hong Kong Underwriting Agreement — (B) Undertakings by our Warranting Shareholders" above.

Commission and Expenses

Our Company will pay an underwriting commission of 9.2% of the aggregate Offer Price of all the Offer Shares (including H Shares to be issued if the Offer Size Adjustment Option is fully exercised) (the "**Fixed Fees**"). Our Company may also in our sole and absolute discretion pay any one or all of the Underwriters an additional incentive fee in aggregate of up to 1% of the aggregate Offer Price for all of the Offer Shares (including H Shares to be issued if the Offer Size Adjustment Option is fully exercised) (the "**Discretionary Fees**"). The ratio of the Fixed Fees and Discretionary Fees payable is therefore approximately 90.2%:9.8% (on the basis that the Discretionary Fees will be fully paid). For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the relevant International Underwriters and not the Hong Kong Underwriters.

Assuming the Offer Size Adjustment Option are not exercised, based on the Offer Price of HK$3.61 per H Share, the aggregate commissions and fees, together with Stock Exchange listing fees, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565%, AFRC transaction levy of 0.00015%, legal and other professional fees and printing and all other expenses payable by us relating to the Global Offering are currently estimated to amount in aggregate to approximately HK$57.2 million.

INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules.

UNDERWRITERS' INTERESTS IN OUR COMPANY

Save for the obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement and as disclosed in this prospectus, as at the Latest Practicable Date, none of the Underwriters has any shareholding or beneficial interests in any member of our Group nor has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Group nor any interest in the Global Offering.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the H Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments our Company and/or persons and entities with relationships with our Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with our Group's loans and other debt.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the H Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases.

No stabilizing manager will be appointed, and it is anticipated that no stabilization activities will be carried out in relation to the Global Offering.

Such activities may affect the market price or value of our H Shares, the liquidity or trading volume in our H Shares and the volatility of the price of our H Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to our Company and our affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(a) the Hong Kong Public Offering of initially 3,360,000 H Shares (subject to reallocation and the Offer Size Adjustment Option) in Hong Kong, as described in "— The Hong Kong Public Offering" below; and

(b) the International Offering of initially 30,240,000 H Shares (subject to reallocation, the Offer Size Adjustment Option) outside the United States in offshore transactions in reliance on Regulation S, as described in "— The International Offering" below.

The 33,600,000 H Shares initially being offered in the Global Offering will represent 6.31% of the total number of issued Shares immediately after completion of the Global Offering, assuming that the Offer Size Adjustment Option is not exercised. The underwriting arrangements, and the respective Underwriting Agreements, are summarized in "Underwriting" in this prospectus.

Investors may apply for Hong Kong Offer Shares under the Hong Kong Public Offering, or, if qualified to do so, apply for or indicate an interest in International Offer Shares under the International Offering, but may not do both.

References in this prospectus to applications, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Shares Initially Offered

We are initially offering 3,360,000 Hong Kong Offer Shares, representing 10% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price for subscription by the public in Hong Kong. Subject to the reallocation of H Shares between (i) the International Offering, and (ii) the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 10% of the total number of Offer Shares initially available under the Global Offering (assuming the Offer Size Adjustment Option are not exercised).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers and companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a several basis under the terms of the Hong Kong Underwriting Agreement. Completion of the Hong Kong Public Offering is subject to the conditions as set out in "— Conditions of the Global Offering" below.

Allocation

Allocation of the Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of the Offer Shares initially available under the Hong Kong Public Offering (after taking account of any reallocation in the number of Offer Shares allocated between the Hong Kong Public Offering and the International Offering referred to below) will be divided equally into two pools (with any odd lots being allocated to pool A): pool A and pool B. Pool A will comprise 1,680,000 Hong Kong Offer Shares and pool B will comprise 1,680,000 Hong Kong Offer Shares initially. Both of which are available on an equitable basis to successful applicants. All valid applications that have applied for Hong Kong Offer Shares with a total price (excluding brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% payable) of HK$5 million or below will fall into pool A. All valid applications that have applied for Hong Kong Offer Shares with a total price (excluding brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% payable) of over HK$5 million and up to the total value of pool B will fall into pool B.

For the purpose of this sub-section only, the "price" for Offer Shares means the price payable on application therefor which is HK$3.61 per Offer Share.

Applicants should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If Hong Kong Offer Shares in one (but not both) of the two pools are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B, but not from both pools. Multiple or suspected multiple applications and any application for more than 1,680,000 Hong Kong Offer Shares (being approximately 50% of the 3,360,000 Offer Shares initially available under the Hong Kong Public Offering) will be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation on the following basis:

(a) where the International Offer Shares are fully subscribed or oversubscribed and:

(i) if the Hong Kong Offer Shares are undersubscribed, the Sole Overall Coordinator (for itself and on behalf of the Underwriters) has the authority (but not the obligation) in its absolute discretion to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Sole Overall Coordinator deems appropriate to satisfy demand under the International Offering;

(ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 3,360,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering in accordance with Chapter 4.14 of the Guide for New Listing Applicants issued by the Stock Exchange, so that the number of the Offer Shares available under the Hong Kong Public Offering will be increased to 6,720,000 Offer Shares, representing approximately 20% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Offer Size Adjustment Option);

(iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 6,720,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 10,080,000 Offer Shares, representing approximately 30% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Offer Size Adjustment Option);

(iv) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 10,080,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the number of the Offer Shares available under the Hong Kong Public Offering will be increased to 13,440,000 Offer Shares, representing approximately 40% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Offer Size Adjustment Option); and

(v) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 13,440,000 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the number of the Offer Shares available under the Hong Kong Public Offering will be increased to 16,800,000 Offer Shares, representing approximately 50% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Offer Size Adjustment Option).

(b) where the International Offer Shares are undersubscribed and:

(i) if the Hong Kong Offer Shares are undersubscribed, the Global Offering will not proceed unless fully underwritten by the Underwriters; and

(ii) if the Hong Kong Offer Shares are oversubscribed, irrespective of the number of times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 3,360,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 6,720,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Offer Size Adjustment Option).

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the sole and absolute discretion of the Sole Overall Coordinator. If either the Hong Kong Public Offering or the International Offering is not fully subscribed for, the Sole Overall Coordinator has the authority (but not the obligation) in its sole and absolute discretion to reallocate all or any unsubscribed Offer Shares from such offering to the other, in such proportion as the Sole Overall Coordinator deems appropriate.

In addition to any mandatory reallocation required as described above, the Sole Overall Coordinator (for itself and on behalf of the Underwriters) may reallocate the Offer Shares from the International Offering to the Hong Kong Public Offering. In accordance with Chapter 4.14 of the Guide for New Listing Applicants issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be reallocated to the Hong Kong Public Offering following such reallocation shall be not more than double the initial allocation to the Hong Kong Public Offering (i.e. 3,360,000 Offer Shares).

In the event of a reallocation of the Offer Shares from the International Offering to the Hong Kong Public Offering in the circumstances under paragraphs (a)(ii), (a)(iii), (a)(iv), (a)(v) or (b)(ii) above, the number of Offer Shares allocated to the International Offering will be correspondingly reduced.

Applications

The Sole Overall Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered H Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Sole Overall Coordinator so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for H Shares under the Hong Kong Public Offering.

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it and any person(s) for whose benefit he/she/it is making the application has not applied for or taken up, or indicated an interest in, and will not apply for or take up, or indicate an interest in, any International Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering may be required to pay, on application (subject to application channels), the price of HK$3.61 per Offer Share in addition to the brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy payable on each Offer Share. Further details are set out in "How to Apply for Hong Kong Offer Shares."

References in this prospectus to applications, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of Offer Shares Offered

Subject to the reallocation as described above, the number of Offer Shares to be initially offered under the International Offering will be 30,240,000, representing 90% of the total number of Offer Shares initially available under the Global Offering. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, and is subject to the Hong Kong Public Offering becoming unconditional.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The International Offering is subject to the Hong Kong Public Offering being unconditional.

Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in "— Pricing and Allocation" below and based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely hold or sell, H Shares, after the Listing. Such allocation is intended to result in a distribution of the H Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our Shareholders as a whole.

The Sole Overall Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Sole Overall Coordinator (for itself and on behalf of the Underwriters) so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued pursuant to the International Offering may change as a result of the reallocation arrangement described in "— The Hong Kong Public Offering — Reallocation" above, the exercise of the Offer Size Adjustment Option and any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

OFFER SIZE ADJUSTMENT OPTION

In connection with the Global Offering, our Company has the Offer Size Adjustment Option under the Hong Kong Underwriting Agreement. The Offer Size Adjustment Option provides flexibility to increase the number of Offer Shares available for purchase under the Global Offering to cover additional market demand, if any. The Offer Size Adjustment Option may be exercised by our Company after consultation with the Sole Overall Coordinator and the Sole Sponsor on or before November 6, 2024 and will expire upon execution of the International Underwriting Agreement.

Under the Offer Size Adjustment Option, our Company may issue any number of Shares up to an aggregate of 5,040,000 additional H Shares at the Offer Price. These Offer Size Adjustment Option Shares, if any, will be allocated in such manner as closely as practicable to maintain the proportionality between the Hong Kong Public Offering and the International Offering following the application of the clawback arrangement described in subsection headed "— The Hong Kong Public Offering — Reallocation" above and the Sole Overall Coordinator shall allocate additional H Shares to be offered by our Company pursuant to the International Offering to the Hong Kong Public Offering in order to maintain such proportionality and the relevant number of Offer Size Adjustment Option Shares shall be allocated to the International Offering to maintain such proportionality.

If the Offer Size Adjustment Option is exercised in full, the Offer Size Adjustment Option Shares to be issued pursuant thereto will represent approximately 0.9% of the total issued share capital immediately following the completion of the Global Offering. The dilution effect of the Offer Size Adjustment Option is set out below:

Number of Shares issued under the Global Offering before the exercise of the Offer Size Adjustment Option ("Original Subscribers")	Approximate percentage of total issued share capital held by the Original Subscribers before the exercise of the Offer Size Adjustment Option	Number of Shares issued under the Global Offering after the exercise of the Offer Size Adjustment Option	Approximate percentage of total issued share capital held by the Original Subscribers after the exercise of the Offer Size Adjustment Option
33,600,000	6.3%	38,640,000	6.3%

The Offer Size Adjustment Option will not be used for price stabilization purposes and will not be subject to the provisions of the Securities and Futures (Price Stabilization) Rules (Chapter 571W of the Laws of Hong Kong).

Our Company will disclose in its allotment results announcement if and to what extent the Offer Size Adjustment Option has been exercised, or will confirm that if the Offer Size Adjustment Option has not been exercised by the date of the International Underwriting Agreement, it will lapse and cannot be exercised at any future date.

PRICING AND ALLOCATION

The International Underwriters will be soliciting from prospective investors' indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

The Offer Price will be HK$3.61 per H Share, unless otherwise announced. Applicants under the Hong Kong Public Offering must pay, on application (subject to application channels), the Offer Price of HK$3.61 per H Share, plus 1.0% brokerage, 0.0027% SFC transaction levy, AFRC transaction levy of 0.00015% and 0.00565% Stock Exchange trading fee.

Reduction in Offer Price and/or Number of Offer Shares

The Sole Overall Coordinator (for itself and on behalf of the other Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the Offer Price as stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause to be announced on the website of our Company at **www.apt-hk.com** and the website of the Stock Exchange at **www.hkexnews.hk**, notices of the reduction, and the cancellation of the Global Offering and relaunch of the offer at the revised number of Offer Shares and/or the revised Offer Price.

As soon as practicable after such reduction of the number of Offer Shares and/or the Offer Price, we will also issue a supplemental prospectus or a new prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the Offer Price, and giving investors at least three business days to consider the new information. The supplemental or new prospectus should include at least the following: updated (i) Offer Price and market capitalization; (ii) listing timetable and underwriting obligations; (iii) price/earning multiple, unaudited pro forma and adjusted net tangible assets; and (iv) use of proceeds and working capital adequacy confirmation based on the revised proceeds.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering, which is Tuesday, November 5, 2024. In the absence of any such supplemental or new prospectus so published, the number of Offer Shares and/or the Offer Price will not be reduced.

If there is any change to the offer size due to change in the number of Offer Shares offered in the Global Offering (other than pursuant to the reallocation mechanism as disclosed in this prospectus), or change to the Offer Price, or if the Company becomes aware that there has been a significant change affecting any matter contained in this prospectus or a significant new matter has arisen, the inclusion of information in respect of which would have been required to be in this prospectus if it had arisen before this prospectus was issued, after the issue of this prospectus and before the commencement of dealings in our Offer Shares as prescribed under Rule 11.13 of the Listing Rules, our Company is required to cancel the Global Offering and issue a supplemental prospectus or a new prospectus and subsequently relaunched on FINI pursuant to the supplemental prospectus.

In the event of a reduction in the number of Offer Shares, the Sole Overall Coordinator (for itself and on behalf of the Underwriters) may, at its discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering. The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Sole Overall Coordinator (for itself and on behalf of the Underwriters).

Announcement of Basis of Allocations

The results of indications of interest in the International Offering, the results of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Offer Shares and the results of allocations are expected to be announced on Thursday, November 7, 2024 on the website of our Company at **www.apt-hk.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is conditional upon the International Underwriting Agreement being signed and becoming unconditional.

We expect to enter into the International Underwriting Agreement relating to the International Offering on or around the date of the International Underwriting Agreement.

These underwriting arrangements under the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in "Underwriting" in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptances of all applications for Offer Shares pursuant to the Global Offering will be conditional on, among others:

(a) the Stock Exchange granting approval for the listing of, and permission to deal in, the H Shares in issue and the H Shares to be issued pursuant to the (i) Global Offering, and (ii) the exercise of the Offer Size Adjustment Option, and such approval not subsequently having been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;

(b) the execution and delivery of the International Underwriting Agreement on or around November 6, 2024; and

(c) the obligations of the Underwriters under the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company on the website of the Stock Exchange at **www.hkexnews.hk** and the website of our Company at **www.apt-hk.com** on the next Business Day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in "How to Apply for Hong Kong Offer Shares — D. Dispatch/Collection of H Share Certificates and Refund of Application Monies." In the meantime, all application monies will be held in separate bank account(s) with the receiving bankers or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

H Share certificates will only become valid evidence of title at 8:00 a.m. on the Listing Date provided that (i) the Global Offering has become unconditional in all respects, and (ii) the right of termination as described in "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" has not been exercised.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the listing of, and permission to deal in, the H Shares in issue and to be issued by us pursuant to the Global Offering (including the H Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option).

No part of our Company's share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought in the near future.

SHARES WILL BE ELIGIBLE FOR CCASS

Subject to the granting of the listing of, and permission to deal in, the H Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange (as defined in the Listing Rules) is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisors for details of the settlement arrangements as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling our H Shares to be admitted into CCASS.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, November 8, 2024, it is expected that dealings in the H Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, November 8, 2024. The H Shares will be traded in board lots of 1,000 H Shares. The stock code of the H Shares will be 2551.

IMPORTANT NOTICE TO INVESTORS

OF HONG KONG OFFER SHARES

FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering and below are the procedures for application.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the "HKEXnews > New Listings > New Listing Information" section, and our website at www.apt-hk.com.

The contents of this prospectus are identical to the prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

A. APPLICATION FOR HONG KONG OFFER SHARES

1. Who Can Apply

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are 18 years of age or older; and
- have a Hong Kong address *(for the **White Form eIPO** service only).*

Unless permitted by the Listing Rules or a waiver and/or consent has been granted by the Stock Exchange to us, you cannot apply for any Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are an existing Shareholder or close associates; or
- are a Director or a Supervisor, or any of his/her close associates.

2. Application Channels

The Hong Kong Public Offering period will begin at 9:00 a.m. on Thursday, October 31, 2024 and end at 12:00 noon on Tuesday, November 5, 2024 (Hong Kong time).

To apply for Hong Kong Offer Shares, you may use one of the following application channels:

Application Channel	Platform	Target Investors	Application Time
White Form eIPO service	**www.eipo.com.hk**	Investors who would like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in your own name.	From 9:00 a.m. on Thursday, October 31, 2024 to 11:30 a.m. on Tuesday, November 5, 2024, Hong Kong time. The latest time for completing full payment of application monies will be 12:00 noon on Tuesday, November 5, 2024, Hong Kong time.
HKSCC EIPO channel .	Your broker or custodian who is a HKSCC Participant will submit a HKSCC EIPO application on your behalf through HKSCC's FINI system in accordance with your instruction.	Investors who would not like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant's stock account.	Contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian.

The **White Form eIPO** service and the HKSCC EIPO channel are facilities subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day of the application period to apply for Hong Kong Offer Shares.

For those applying through the **White Form eIPO** service, once you complete payment in respect of any application instructions given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. If you are a person for whose benefit the **electronic application instructions** are given, you shall be deemed to have declared that only one set of **electronic application instructions** has been given for your benefit. If you are an agent for another person, you shall be deemed to have declared that you have only given one set of **electronic application instructions** for the benefit of the person for whom you are an agent and that you are duly authorized to give those instructions as an agent.

For the avoidance of doubt, giving an application instruction under the **White Form eIPO** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you apply through the **White Form eIPO** service, you are deemed to have authorized the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

By instructing your broker or custodian to apply for the Hong Kong Offer Shares on your behalf through the HKSCC EIPO channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to apply for Hong Kong Offer Shares on your behalf and to do on your behalf all the things stated in this prospectus and any supplement to it.

For those applying through HKSCC EIPO channel, an actual application will be deemed to have been made for any application instructions given by you or for your benefit to HKSCC (in which case an application will be made by HKSCC Nominees on your behalf) provided such application instruction has not been withdrawn or otherwise invalidated before the closing time of the Hong Kong Public Offering.

HKSCC Nominees will only be acting as a nominee for you and neither HKSCC nor HKSCC Nominees shall be liable to you or any other person in respect of any actions taken by HKSCC or HKSCC Nominees on your behalf to apply for Hong Kong Offer Shares or for any breach of the terms and conditions of this prospectus.

3. Information Required to Apply

You must provide the following information with your application:

For Individual/Joint Applicants

- Full name(s)[2] as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
  - i. HKID card; or
  - ii. National identification document; or
  - iii. Passport; and
- Identity document number

For Corporate Applicants

- Full name(s)[2] as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
  - i. LEI registration document; or
  - ii. Certificate of incorporation; or
  - iii. Business registration certificate; or
  - iv. Other equivalent document; and
- Identity document number

Notes:

1. If you are applying through the **White Form eIPO** service, you are required to provide a valid e-mail address, a contact telephone number and a Hong Kong address. You are also required to declare that the identity information provided by you follows the requirements as described in Note 2 below. In particular, where you cannot provide a HKID number, you must confirm that you do not hold a HKID card.

2. The applicant's full name as shown on their identity document must be used. If an applicant's identity document contains both an English and Chinese name, both English and Chinese names must be used. Otherwise, either English or Chinese names will be accepted. The order of priority of the applicant's identity document type must be strictly followed and where an individual applicant has a valid HKID card, the HKID number must be used when making an application to subscribe for shares in a public offer. Similarly for corporate applicants, a LEI number must be used if an entity has a LEI certificate.

3. If the applicant is a trustee, the client identification data ("**CID**") of the trustee, as set out above, will be required. If the applicant is an investment fund (i.e. a collective investment scheme, or CIS), the CID of the asset management company or the individual fund, as appropriate, which has opened a trading account with the broker will be required, as above.

4. The maximum number of joint applicants on FINI is capped at four in accordance with market practice.

5. If you are applying as a nominee, you must provide: (i) the full name (as shown on the identity document), the identity document's issuing country or jurisdiction, the identity document type; and (ii), the identity document number, for each of the beneficial owners or, in the case(s) of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

6. If you are applying as an unlisted company and (i) the principal business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being for your benefit and you should provide the required information in your application as stated above.

   "Unlisted company" means a company with no equity securities listed on the Stock Exchange or any other stock exchange.

   "Statutory control" means you:

   - control the composition of the board of directors of the company;
   - control more than half of the voting power of the company; or
   - hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

For those applying through HKSCC EIPO channel, and making an application under a power of attorney, we and the Sole Overall Coordinator, as our agent, have discretion to consider whether to accept it on any conditions we think fit, including evidence of the attorney's authority.

Failing to provide any required information may result in your application being rejected.

4. Permitted Number of Hong Kong Offer Shares for Application

Board lot size . . . . :	1,000 H Shares
Permitted number of Hong Kong Offer Shares for application and amount payable on application/ successful allotment . . . . :	Hong Kong Offer Shares are available for application in specified board lot sizes only. Please refer to the amount payable associated with each specified board lot size in the table below. The Offer Price is HK$3.61 per H Share. If you are applying through the HKSCC EIPO channel, you are required to pre-fund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong. By instructing your broker or custodian to apply for the Hong Kong Offer Shares on your behalf through the HKSCC EIPO channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to arrange payment of the Offer Price, brokerage, SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy by debiting the relevant nominee bank account at the designated bank for your broker or custodian. If you are applying through the **White Form eIPO** service, you may refer to the table below for the amount payable for the number of Offer Shares you have selected. You must pay the respective amount payable on application in full upon application for Hong Kong Offer Shares.

APT Electronics Co., Ltd.
(HK$3.61 per Hong Kong Offer Share)
NUMBER OF HONG KONG OFFER SHARES THAT MAY BE APPLIED FOR AND PAYMENTS

No. of Hong Kong Offer Shares applied for	Amount payable(2) on application	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application
	HK$		*HK$*		*HK$*		*HK$*
1,000	3,646.41	20,000	72,928.14	100,000	364,640.69	800,000	2,917,125.48
2,000	7,292.81	25,000	91,160.18	150,000	546,961.02	900,000	3,281,766.16
3,000	10,939.22	30,000	109,392.20	200,000	729,281.36	1,000,000	3,646,406.86
4,000	14,585.63	35,000	127,624.24	250,000	911,601.71	1,100,000	4,011,047.54
5,000	18,232.04	40,000	145,856.28	300,000	1,093,922.05	1,200,000	4,375,688.22
6,000	21,878.43	45,000	164,088.31	350,000	1,276,242.40	1,300,000	4,740,328.90
7,000	25,524.85	50,000	182,320.34	400,000	1,458,562.75	1,400,000	5,104,969.59
8,000	29,171.25	60,000	218,784.41	450,000	1,640,883.08	1,500,000	5,469,610.28
9,000	32,817.67	70,000	255,248.48	500,000	1,823,203.43	1,680,000(1)	6,125,963.51
10,000	36,464.06	80,000	291,712.55	600,000	2,187,844.11		
15,000	54,696.10	90,000	328,176.62	700,000	2,552,484.80		

Notes:

(1) Maximum number of Hong Kong Offer Share you may apply for.

(2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) or to the **White Form eIPO** Service Provider (for applications made through the application channel of the **White Form eIPO** Service Provider) while the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy will be paid to the SFC, the Stock Exchange and the AFRC, respectively.

5. Multiple Applications Prohibited

You or your joint applicant(s) shall not make more than one application for your own benefit, except where you are a nominee and provide the information of the underlying investor in your application as required under the paragraph headed "— *A. Application for Hong Kong Offer Shares — 3. Information Required to Apply*" in this section. If you are suspected of submitting or cause to submit more than one application, all of your applications will be rejected.

Multiple applications made either through (i) the **White Form eIPO** service, (ii) HKSCC EIPO channel, or (iii) both channels concurrently are prohibited and will be rejected. If you have made an application through the **White Form eIPO** service or HKSCC EIPO channel, you or the person(s) for whose benefit you have made the application shall not apply further for any International Offer Shares.

6. Terms and Conditions of An Application

By applying for Hong Kong Offer Shares through the **White Form eIPO** service or HKSCC EIPO channel, you (or as the case may be, HKSCC Nominees will do the following things on your behalf):

(i) undertake to execute all relevant documents and instruct and authorize us and/or the Sole Overall Coordinator, as our agent, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association, and (if you are applying through the HKSCC EIPO channel) to deposit the allotted Hong Kong Offer Shares directly into CCASS for the credit of your designated HKSCC Participant's stock account on your behalf;

(ii) confirm that you have read and understand the terms and conditions and application procedures set out in this prospectus and the designated website of the **White Form eIPO** service (or as the case may be, the agreement you entered into with your broker or custodian), and agree to be bound by them;

(iii) (if you are applying through the HKSCC EIPO channel) agree to the arrangements, undertakings and warranties under the participant agreement between your broker or custodian and HKSCC and observe the General Rules of HKSCC and the HKSCC Operational Procedures for giving application instructions to apply for Hong Kong Offer Shares;

(iv) confirm that you are aware of the restrictions on the Global Offering set out in this prospectus and they do not apply to you, or the person(s) for whose benefit you have made the application;

(v) confirm that you have read this prospectus and any supplement to it and have relied only on the information and representations contained therein in making your application (or as the case may be, causing your application to be made) and will not rely on any other information or representations;

(vi) agree that our Company, the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, and any of their or our Company's respective directors, officers, employees, partners, agents, advisors, and representatives, and any other parties involved in the Global Offering (collectively, the "**Relevant Persons**"), the H Share Registrar and HKSCC will not be liable for any information and representations not in this prospectus and any supplement to it;

(vii) agree to disclose the details of your application and your personal data and any other personal data which may be required about you and the person(s) for whose benefit you have made the application to us, the Relevant Persons, the H Share Registrar, HKSCC, HKSCC Nominees, the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, for the purposes under the paragraphs headed "*— G. Personal Data — 3. Purposes*" and "*— G. Personal Data — 4. Transfer of personal data*" in this section;

(viii) agree (without prejudice to any other rights which you may have once your application (or as the case may be, HKSCC Nominees' application) has been accepted) that you will not rescind it because of an innocent misrepresentation;

(ix) agree that subject to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any application made by you or HKSCC Nominees on your behalf cannot be revoked once it is accepted, which will be evidenced by the notification of the result of the ballot by the H Share Registrar by way of publication of the results at the time and in the manner as specified in the paragraph headed "*— B. Publication of Results*" in this section;

(x) confirm that you are aware of the situations specified in the paragraph headed "*— C. Circumstances In Which You Will Not Be Allocated Hong Kong Offer Shares*" in this section;

(xi) agree that your application or HKSCC Nominees' application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

(xii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Articles of Association and laws of any place outside Hong Kong that apply to your application and that neither we nor the Relevant

Persons will breach any law inside and/or outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;

(xiii) confirm that (a) your application or HKSCC Nominees' application on your behalf is not financed directly or indirectly by our Company, any of the Directors, Supervisors, chief executives, substantial Shareholder(s) or existing Shareholder(s) of our Company or any of our subsidiaries or any of their respective close associates; and (b) you are not accustomed or will not be accustomed to taking instructions from our Company, any of the Directors, Supervisors, chief executives, substantial Shareholder(s) or existing Shareholder(s) of our Company or any of our subsidiaries or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of the H Shares registered in your name or otherwise held by you;

(xiv) warrant that the information you have provided is true and accurate;

(xv) confirm that you understand that we and the Sole Overall Coordinator will rely on your declarations and representations in deciding whether or not to allocate any Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xvi) agree to accept Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;

(xvii) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC directly or indirectly or through the application channel of the **White Form eIPO** Service Provider or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (1) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC and the **White Form eIPO** Service Provider and (2) you have due authority to give **electronic application instructions** on behalf of that other person as its agent.

B. PUBLICATION OF RESULTS

Results of Allocation

You can check whether you are successfully allocated any Hong Kong Offer Shares through:

Platform		Date/Time
Applying through the **White Form eIPO** service or HKSCC EIPO channel:		
Website	The designated results of allocation at **www.iporesults.com.hk** (alternatively: **www.eipo.com.hk/eIPOAllotment**) with a "search by ID" function.	24 hours, from 11:00 p.m. on Thursday, November 7, 2024 to 12:00 midnight Wednesday, November 13, 2024 (Hong Kong time).
	The full list of (i) wholly or partially successful applicants using the **White Form eIPO** service and HKSCC EIPO channel, and (ii) the number of Hong Kong Offer Shares conditionally allotted to them, among other things, will be displayed on the "Allotment Results" page of the **White Form eIPO** service at **www.iporesults.com.hk** (alternatively: **www.eipo.com.hk/eIPOAllotment**).	
	The Stock Exchange's website at **www.hkexnews.hk** and our website at **www.apt-hk.com** which will provide links to the above mentioned websites of the H Share Registrar.	No later than 11:00 p.m. on Thursday, November 7, 2024 (Hong Kong time).
Telephone	+852 2862 8555 — the allocation results telephone enquiry line provided by the H Share Registrar.	Between 9:00 a.m. and 6:00 p.m., from Friday, November 8, 2024 to Wednesday, November 13, 2024 (excluding Saturdays, Sundays and public holidays in Hong Kong).

For those applying through HKSCC EIPO channel, you may also check with your broker or custodian from 6:00 p.m. on Wednesday, November 6, 2024 (Hong Kong time). HKSCC Participants can log into FINI and review the allotment result from 6:00 p.m. on Wednesday, November 6, 2024 (Hong Kong time) on a 24-hour basis and should report any discrepancies on allotments to HKSCC as soon as practicable.

Allocation Announcement

We expect to announce the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of Hong Kong Offer Shares on the Stock Exchange's website at **www.hkexnews.hk** and our website at **www.apt-hk.com** by no later than 11:00 p.m. on Thursday, November 7, 2024 (Hong Kong time).

C. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which Hong Kong Offer Shares will not be allocated to you or the person(s) for whose benefit you are applying for:

1. If your application is revoked:

Your application or the application made by HKSCC Nominees on your behalf may be revoked pursuant to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

2. If we or our agents exercise our discretion to reject your application:

We, the Sole Overall Coordinator, the H Share Registrar and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

3. If the allocation of Hong Kong Offer Shares is void:

The allocation of Hong Kong Offer Shares will be void if the Stock Exchange does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies us of that longer period within three weeks of the closing date of the application lists.

4. If:

- you make multiple applications or suspected multiple applications. You may refer to the paragraph headed "— *A. Application for Hong Kong Offer Shares — 5. Multiple Applications Prohibited*" in this section on what constitutes multiple applications;
- your application instruction is incomplete;
- your payment (or confirmation of funds, as the case may be) is not made correctly;
- the Underwriting Agreements do not become unconditional or are terminated;
- we or the Sole Overall Coordinator believe that by accepting your application, it or we would violate applicable securities or other laws, rules or regulations.

5. If there is money settlement failure for allotted H Shares:

Based on the arrangements between HKSCC Participants and HKSCC, HKSCC Participants will be required to hold sufficient application funds on deposit with their designated bank before balloting. After balloting of Hong Kong Offer Shares, the Receiving Bank will collect the portion of these funds required to settle each HKSCC Participant's actual Hong Kong Offer Share allotment from their designated bank.

There is a risk of money settlement failure. In the extreme event of money settlement failure by a HKSCC Participant (or its designated bank), who is acting on your behalf in settling payment for your allotted H Shares, HKSCC will contact the defaulting HKSCC Participant and its designated bank to determine the cause of failure and request such defaulting HKSCC Participant to rectify or procure to rectify the failure.

However, if it is determined that such settlement obligation cannot be met, the affected Hong Kong Offer Shares will be reallocated to the International Offering. Hong Kong Offer Shares applied for by you through the broker or custodian may be affected to the extent of the settlement failure. In the extreme case, you will not be allocated any Hong Kong Offer Shares due to the money settlement failure by such HKSCC Participant. None of us, the Relevant Persons, the H Share Registrar and HKSCC is or will be liable if Hong Kong Offer Shares are not allocated to you due to the money settlement failure.

D. DISPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND OF APPLICATION MONIES

You will receive one H Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the HKSCC EIPO channel where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application.

H Share certificates will only become valid evidence of title at 8:00 a.m. on the Listing Date, provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" has not been exercised. Investors who trade the H Shares prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid evidence of title do so entirely at their own risk.

The right is reserved to retain any H Share certificate(s) and (if applicable) any surplus application monies pending clearance of application monies.

The following sets out the relevant procedures and time:

	White Form eIPO service	**HKSCC EIPO channel**
Dispatch/collection of H Share certificate[1]		
For physical H Share certificates of 1,000,000 or more Offer Shares issued under your own name	Collection in person at the H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. **Time:** from 9:00 a.m. to 1:00 p.m. on Friday, November 8, 2024 (Hong Kong time). If you are an individual, you must not authorize any other person to collect for you. If you are a corporate applicant, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.	H Share certificate(s) will be issued in the name of HKSCC Nominees, deposited into CCASS and credited to your designated HKSCC Participant's stock account. No action by you is required.

	White Form eIPO service	HKSCC EIPO channel
	Note: If you do not collect your Share certificate(s) personally within the time above, it/they will be sent to the address specified in your application instructions by ordinary post at your own risk.	
For physical H Share certificates of less than 1,000,000 Offer Shares issued under your own name	Your H Share certificate(s) will be sent to the address specified in your application instructions by ordinary post at your own risk. **Date:** Thursday, November 7, 2024.	
Refund mechanism for surplus application monies paid by you		
Date	Friday, November 8, 2024.	Subject to the arrangement between you and your broker or custodian.
Responsible party	H Share Registrar.	Your broker or custodian.
Application monies paid through single bank account . .	White Form e-Refund payment instructions to your designated bank account.	Your broker or custodian will arrange refund to your designated bank account subject to the arrangement between you and it.
Application monies paid through multiple bank accounts	Refund cheque(s) will be dispatched to the address as specified in your application instructions by ordinary post at your own risk.	

1. Except in the event of a tropical cyclone warning signal number 8 or above, a black rainstorm warning and/or Extreme Conditions in the morning on Thursday, November 7, 2024 rendering it impossible for the relevant H Share certificates to be dispatched to HKSCC in a timely manner, the Company shall procure the H Share Registrar to arrange for delivery of the supporting documents and H Share certificates in accordance with the contingency arrangements as agreed between them. You may refer to "— E. Bad Weather Arrangements" in this section.

E. BAD WEATHER ARRANGEMENTS

The Opening and Closing of the Application Lists

The application lists will not open or close on Tuesday, November 5, 2024 if, there is/are:

- a tropical cyclone warning signal number 8 or above;
- a black rainstorm warning; and/or
- Extreme Conditions,

(collectively, "**Bad Weather Signals**"),

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, November 5, 2024.

Instead they will open between 11:45 a.m. and 12:00 noon and/or close at 12:00 noon on the next business day which does not have Bad Weather Signals in force at any time between 9:00 a.m. and 12:00 noon.

Prospective investors should be aware that a postponement of the opening/closing of the application lists may result in a delay in the listing date. Should there be any changes to the dates mentioned in the section headed "Expected Timetable" in this prospectus, an announcement will be made and published on the Stock Exchange's website at **www.hkexnews.hk** and our website at **www.apt-hk.com** of the revised timetable.

If a Bad Weather Signal is hoisted on Thursday, November 7, 2024, the H Share Registrar will make appropriate arrangements for the delivery of the H Share certificates to the CCASS Depository's service counter so that they would be available for trading on Friday, November 8, 2024.

If a Bad Weather Signal is hoisted on Thursday, November 7, 2024, the despatch of physical H Share certificates of less than 1,000,000 Offer Shares issued under your own name will be made by ordinary post when the post office re-opens after the Bad Weather Signal is lowered or canceled (e.g. in the afternoon of Thursday, November 7, 2024 or on Friday, November 8, 2024).

If a Bad Weather Signal is hoisted on Friday, November 8, 2024, physical H Share certificates of 1,000,000 Offer Shares or more issued under your own name are available for collection in person at the H Share Registrar's Office after the Bad Weather Signal is lowered or canceled (e.g. in the afternoon of Friday, November 8, 2024 or on Monday, November 11, 2024).

Prospective investors should be aware that if they choose to receive physical H Share certificates issued in their own name, there may be a delay in receiving the H Share certificates.

F. ADMISSION OF THE H SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

You should seek the advice of your broker or other professional advisor for details of the settlement arrangement as such arrangements may affect your rights and interests.

G. PERSONAL DATA

The following Personal Information Collection Statement applies to any personal data collected and held by our Company, the H Share Registrar, the receiving bank and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. This personal data may include client identifier(s) and your identification information. By giving application instructions to HKSCC, you acknowledge that you have read, understood and agree to all of the terms of the Personal Information Collection Statement below.

1. Personal Information Collection Statement

This Personal Information Collection Statement informs the applicant for, and holder of, Hong Kong Offer Shares, of the policies and practices of our Company and the H Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

2. Reasons for the collection of your personal data

It is necessary for applicants and registered holders of Hong Kong Offer Shares to ensure that personal data supplied to our Company or its agents and the H Share Registrar is accurate and up-to-date when applying for Hong Kong Offer Shares or transferring Hong Kong Offer Shares into or out of their names or in procuring the services of the H Share Registrar.

Failure to supply the requested data or supplying inaccurate data may result in your application for Hong Kong Offer Shares being rejected, or in the delay or the inability of our Company or the H Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of H Share certificate(s) to which you are entitled.

It is important that applicants for and holders of Hong Kong Offer Shares inform our Company and the H Share Registrar immediately of any inaccuracies in the personal data supplied.

3. Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund cheque and White Form e-Refund payment instruction(s), where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of the H Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the register of members of our Company;
- verifying identities of applicants for and holders of the H Shares and identifying any duplicate applications for the H Shares;
- facilitating Hong Kong Offer Shares balloting;
- establishing benefit entitlements of holders of the H Shares, such as dividends, rights issues, bonus issues, etc.;

- distributing communications from our Company and our subsidiaries;
- compiling statistical information and profiles of the holder of the H Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable our Company and the H Share Registrar to discharge their obligations to applicants and holders of the H Shares and/or regulators and/or any other purposes to which applicants and holders of the H Shares may from time to time agree.

4. Transfer of personal data

Personal data held by our Company and the H Share Registrar relating to the applicants for and holders of Hong Kong Offer Shares will be kept confidential but our Company and the H Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- our Company's appointed agents such as financial advisors, receiving bank and overseas principal share registrar;
- HKSCC or HKSCC Nominees, who will use the personal data and may transfer the personal data to the H Share Registrar, in each case for the purposes of providing its services or facilities or performing its functions in accordance with its rules or procedures and operating FINI and CCASS (including where applicants for the Hong Kong Offer Shares request a deposit into CCASS);
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to our Company or the H Share Registrar in connection with their respective business operation;
- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, including for the purpose of the Stock Exchange's administration of the Listing Rules and the SFC's performance of its statutory functions; and
- any persons or institutions with which the holders of Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or brokers etc.

5. Retention of personal data

Our Company and the H Share Registrar will keep the personal data of the applicants and holders of Hong Kong Offer Shares for as long as necessary to fulfill the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

6. Access to and correction of personal data

Applicants for and holders of Hong Kong Offer Shares have the right to ascertain whether our Company or the H Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. Our Company and the H Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to our Company and the H Share Registrar, at their registered address disclosed in the section headed "Corporate information" in this prospectus or as notified from time to time, for the attention of our joint company secretaries, or the H Share Registrar for the attention of the privacy compliance officer.

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF APT ELECTRONICS CO., LTD. AND CITIC SECURITIES (HONG KONG) LIMITED

Introduction

We report on the historical financial information of APT Electronics Co., Ltd. (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages IA-4 to IA-120, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2021, 2022 and 2023 and five months ended 31 May 2024 (the "**Relevant Periods**"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2021, 2022 and 2023 and 31 May 2024, and material accounting policy information and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages IA-4 to IA-120 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 31 October 2024 (the "**Prospectus**") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2021, 2022 and 2023 and 31 May 2024 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the five months ended 31 May 2023 and other explanatory information (the "**Interim Comparative Financial Information**"). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in notes 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in notes 2.1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IA-4 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

Certified Public Accountants
Hong Kong
31 October 2024

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Five months ended 31 May	
		2021	2022	2023	2023	2024
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
REVENUE	*5*	1,388,380	1,410,632	1,858,032	624,617	843,193
Cost of sales		(1,160,102)	(1,175,447)	(1,519,021)	(520,307)	(688,947)
Gross profit		228,278	235,185	339,011	104,310	154,246
Other income and gains	*5*	58,425	25,063	26,267	10,303	8,755
Selling and marketing expenses		(20,842)	(30,018)	(45,188)	(16,378)	(20,427)
Administrative expenses		(78,510)	(100,341)	(119,431)	(39,869)	(60,288)
Research and development costs		(62,020)	(88,749)	(87,225)	(36,347)	(37,632)
Other expenses		(8,213)	(23,992)	(36,835)	(16,553)	(8,680)
Finance costs	*7*	(2,817)	(6,445)	(4,838)	(2,188)	(1,272)
Share of loss of an associate		(23,279)	—	—	—	—
PROFIT BEFORE TAX	*6*	91,022	10,703	71,761	3,278	34,702
Income tax (expense)/credit	*10*	(13,022)	28,368	282	4,285	(2,529)
PROFIT FOR THE YEAR/PERIOD		78,000	39,071	72,043	7,563	32,173
Attributable to:						
Owners of the parent		85,896	40,791	66,378	14,146	32,173
Non-controlling interests		(7,896)	(1,720)	5,665	(6,583)	—
		78,000	39,071	72,043	7,563	32,173
EARNING PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT						
Basic and diluted (RMB)	*12*	0.21	0.10	0.16	0.03	0.06

		Year ended 31 December			Five months ended 31 May	
		2021	2022	2023	2023	2024
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
OTHER COMPREHENSIVE (LOSS)/INCOME						
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:						
Financial assets at fair value through other comprehensive income:						
Changes in fair value		(22)	74	62	16	(35)
Income tax effect		3	(7)	(12)	(4)	6
		(19)	67	50	12	(29)
Exchange differences on translation of foreign operations		(33)	387	1	22	2
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods		(52)	454	51	34	(27)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR/PERIOD, NET OF TAX		(52)	454	51	34	(27)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		77,948	39,525	72,094	7,597	32,146
Attributable to:						
Owners of the parent		85,844	41,245	66,429	14,180	32,146
Non-controlling interests		(7,896)	(1,720)	5,665	(6,583)	—
		77,948	39,525	72,094	7,597	32,146

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 31 May
		2021	2022	2023	2024
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*13*	816,861	844,946	877,052	871,982
Right-of-use assets	*14*	80,983	79,961	77,312	76,208
Goodwill	*15*	13,523	13,523	13,523	13,523
Other intangible assets	*16*	39,362	33,457	26,770	25,626
Deferred tax assets	*17*	9,021	37,722	37,038	37,941
Other non-current assets	*20*	6,562	5,307	181	4,638
Total non-current assets		966,312	1,014,916	1,031,876	1,029,918
CURRENT ASSETS					
Inventories	*18*	188,028	211,579	216,026	250,736
Trade and bills receivables	*19*	508,985	583,171	669,459	747,607
Contract assets		3,685	4,246	5,445	6,144
Prepayments, deposits and other receivables	*20*	37,457	11,525	12,953	13,947
Financial assets at fair value through profit or loss	*21*	111,341	98,299	187,479	116,859
Pledged deposits	*22*	67,270	45,702	67,041	64,291
Cash and cash equivalents	*22*	96,778	108,231	209,878	280,085
Total current assets		1,013,544	1,062,753	1,368,281	1,479,669
CURRENT LIABILITIES					
Trade and bills payables	*23*	479,888	507,302	794,203	865,161
Other payables and accruals	*24*	416,857	456,554	462,732	440,854
Tax payable		—	—	—	1,215
Contract liabilities	*25*	7,802	13,636	13,995	13,661
Interest-bearing bank borrowings	*27*	15,181	25,147	29,481	454
Lease liabilities	*14*	—	271	287	293
Total current liabilities		919,728	1,002,910	1,300,698	1,321,638
NET CURRENT ASSETS		93,816	59,843	67,583	158,031
TOTAL ASSETS LESS CURRENT LIABILITIES		1,060,128	1,074,759	1,099,459	1,187,949

		As at 31 December			As at 31 May
		2021	2022	2023	2024
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT LIABILITIES					
Interest-bearing bank borrowings	*27*	135,000	105,000	50,472	62,110
Lease liabilities	*14*	—	909	623	637
Deferred income	*26*	6,976	9,109	14,296	13,139
Deferred tax liabilities	*17*	8,293	8,659	7,705	7,282
Total non-current liabilities		150,269	123,677	73,096	83,168
Net assets		909,859	951,082	1,026,363	1,104,781
EQUITY					
Equity attributable to owners of the parent					
Share capital	*28*	411,495	411,495	480,078	498,507
Other reserves	*30*	436,078	479,021	546,285	606,274
Non-controlling interests		62,286	60,566	—	—
Total equity		909,859	951,082	1,026,363	1,104,781

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2021

	Attributable to owners of the parent									
	Share capital	Capital reserve*	Share-based payment reserve*	Foreign currency translation reserve*	Fair value reserve of financial assets at fair value through other comprehensive income*	Statutory reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 28)	*(note 30)*	*(note 29)*	*(note 30)*		*(note 30)*				
At 1 January 2021	411,495	194,844	2,433	(196)	(127)	13,461	138,150	760,060	—	760,060
Profit for the year	—	—	—	—	—	—	85,896	85,896	(7,896)	78,000
Other comprehensive loss for the year:										
Exchange differences on translation of foreign operations	—	—	—	(33)	—	—	—	(33)	—	(33)
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	—	—	—	—	(19)	—	—	(19)	—	(19)
Total comprehensive income for the year	—	—	—	(33)	(19)	—	85,896	85,844	(7,896)	77,948
Share-based payments *(note 29)*	—	—	1,669	—	—	—	—	1,669	—	1,669
Non-controlling interests on acquisition of a subsidiary	—	—	—	—	—	—	—	—	70,182	70,182
Profit appropriations to statutory reserve	—	—	—	—	—	9,084	(9,084)	—	—	—
At 31 December 2021	411,495	194,844	4,102	(229)	(146)	22,545	214,962	847,573	62,286	909,859

Year ended 31 December 2022

	Attributable to owners of the parent									
	Share capital	Capital reserve*	Share-based payment reserve*	Foreign currency translation reserve*	Fair value reserve of financial assets at fair value through other comprehensive income*	Statutory reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 28)	*(note 30)*	*(note 29)*	*(note 30)*		*(note 30)*				
At 1 January 2022	411,495	194,844	4,102	(229)	(146)	22,545	214,962	847,573	62,286	909,859
Profit for the year	—	—	—	—	—	—	40,791	40,791	(1,720)	39,071
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	—	—	—	387	—	—	—	387	—	387
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	—	—	—	—	67	—	—	67	—	67
Total comprehensive income for the year	—	—	—	387	67	—	40,791	41,245	(1,720)	39,525
Share-based payments *(note 29)*	—	—	1,698	—	—	—	—	1,698	—	1,698
Profit appropriations to statutory reserve	—	—	—	—	—	3,808	(3,808)	—	—	—
At 31 December 2022	411,495	194,844	5,800	158	(79)	26,353	251,945	890,516	60,566	951,082

Year ended 31 December 2023

	Attributable to owners of the parent										
	Share capital	Capital reserve*	Share-based payment reserve*	Foreign currency translation reserve*	Fair value reserve of financial assets at fair value through other comprehensive income*	Special reserve – safety fund*	Statutory reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 28)	*(note 30)*	*(note 29)*	*(note 30)*		*(note 30)*	*(note 30)*				
At 1 January 2023	411,495	194,844	5,800	158	(79)	—	26,353	251,945	890,516	60,566	951,082
Profit for the year	—	—	—	—	—	—	—	66,378	66,378	5,665	72,043
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations	—	—	—	1	—	—	—	—	1	—	1
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	—	—	—	—	50	—	—	—	50	—	50
Total comprehensive income for the year	—	—	—	1	50	—	—	66,378	66,429	5,665	72,094
Share-based payments *(note 29)*	—	—	3,187	—	—	—	—	—	3,187	—	3,187
Profit appropriations to statutory reserve	—	—	—	—	—	—	3,057	(3,057)	—	—	—
Safety fund *(note 30)*	—	—	—	—	—	7,011	—	(7,011)	—	—	—
Acquisition of non-controlling interests	68,583	(2,352)	—	—	—	—	—	—	66,231	(66,231)	—
At 31 December 2023	480,078	192,492	8,987	159	(29)	7,011	29,410	308,255	1,026,363	—	1,026,363

Five months ended 31 May 2023 (unaudited)

	Attributable to owners of the parent										
	Share capital	Capital reserve	Share-based payment reserve	Foreign currency translation reserve	Fair value reserve of financial assets at fair value through other comprehensive income	Special reserve — safety fund	Statutory reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 28)	*(note 30)*	*(note 29)*	*(note 30)*		*(note 30)*	*(note 30)*				
At 1 January 2023	411,495	194,844	5,800	158	(79)	—	26,353	251,945	890,516	60,566	951,082
Profit for the period (unaudited)	—	—	—	—	—	—	—	14,146	14,146	(6,583)	7,563
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations (unaudited)	—	—	—	22	—	—	—	—	22	—	22
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax (unaudited)	—	—	—	—	12	—	—	—	12	—	12
Total comprehensive income for the period (unaudited)	—	—	—	22	12	—	—	14,146	14,180	(6,583)	7,597
Share-based payments *(note 29)* (unaudited)	—	—	724	—	—	—	—	—	724	—	724
Safety fund *(note 30)* (unaudited)	—	—	—	—	—	2,999	—	(2,999)	—	—	—
At 31 May 2023 (unaudited)	411,495	194,844	6,524	180	(67)	2,999	26,353	263,092	905,420	53,983	959,403

Five months ended 31 May 2024

	Attributable to owners of the parent										
	Share capital	Capital reserve*	Share-based payment reserve*	Foreign currency translation reserve*	Fair value reserve of financial assets at fair value through other comprehensive income*	Special reserve — safety fund*	Statutory reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 28)	*(note 30)*	*(note 29)*	*(note 30)*		*(note 30)*	*(note 30)*				
At 1 January 2024	480,078	192,492	8,987	159	(29)	7,011	29,410	308,255	1,026,363	—	1,026,363
Profit for the period	—	—	—	—	—	—	—	32,173	32,173	—	32,173
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	—	—	—	2	—	—	—	—	2	—	2
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	—	—	—	—	(29)	—	—	—	(29)	—	(29)
Total comprehensive income for the period	—	—	—	2	(29)	—	—	32,173	32,146	—	32,146
Share-based payments *(note 29)*	—	—	3,101	—	—	—	—	—	3,101	—	3,101
Safety fund *(note 30)*	—	—	—	—	—	3,262	—	(3,262)	—	—	—
Contributions from shareholders	18,429	24,742	—	—	—	—	—	—	43,171	—	43,171
At 31 May 2024	498,507	217,234	12,088	161	(58)	10,273	29,410	337,166	1,104,781	—	1,104,781

* These reserve accounts comprise the consolidated other reserves of RMB436,078,000, RMB479,021,000, RMB546,285,000 and RMB606,274,000 in the consolidated statements of financial position as at 31 December 2021, 2022 and 2023 and 31 May 2024, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December			Five months ended 31 May	
		2021	2022	2023	2023	2024
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit before tax		91,022	10,703	71,761	3,278	34,702
Adjustments for:						
Finance costs	*7*	2,817	6,445	4,838	2,188	1,272
Interest income	*5*	(2,800)	(3,241)	(3,276)	(1,289)	(1,627)
Foreign exchange losses, net		(241)	1,742	—	—	—
Depreciation of property, plant and equipment	*13*	61,173	97,469	118,489	49,417	50,794
Amortisation of intangible assets	*16*	7,499	10,087	9,988	4,323	4,133
Depreciation of right-of-use assets	*14*	1,468	2,478	2,649	1,104	1,104
Net loss on disposal of property, plant and equipment	*6*	51	4,785	3,057	475	346
Fair value (gain)/loss on financial assets at fair value through profit or loss	*5*	(441)	142	(1,179)	(496)	(380)
Write-down of inventories to net realisable value	*6*	4,505	16,343	30,158	16,827	6,650
Investment income from financial assets at fair value through profit or loss	*5*	(1,092)	(2,191)	(4,040)	(1,134)	(1,355)
Impairment losses on financial assets and contract assets, net	*6*	3,232	1,950	2,128	(1,054)	1,580
Share of loss of an associate		23,279	—	—	—	—
Share-based payment expenses		1,669	1,698	3,187	724	3,101
Gain on remeasurement of the equity interest in an associate to a subsidiary at the date of acquisition		(22,139)	—	—	—	—
Increase in inventories		(34,308)	(39,892)	(34,605)	(4,631)	(41,359)
(Increase)/decrease in trade and bills receivables		(129,953)	(76,047)	(88,043)	46,663	(79,920)
Increase in contract assets		(2,107)	(572)	(1,223)	—	(714)
(Increase)/decrease in prepayments, deposits and other receivables		(9,638)	6,169	(694)	(935)	(1,522)
Increase in trade and bills payables		46,374	34,315	255,823	72,666	80,313
Increase/(decrease) in other payables and accruals		46,008	40,204	50,179	3,218	(11,919)
Increase/(decrease) in contract liabilities		4,141	5,834	359	5,831	(334)
Increase/(decrease) in deferred income		3,056	2,133	5,179	4,691	(1,160)
Cash generated from operations		93,575	129,554	424,735	201,866	43,705
Interest received		2,800	3,241	3,276	1,289	1,627
Income taxes (paid)/refunded		(9,128)	1,492	3,481	3,481	(3,109)
Net cash flows from operating activities		87,247	125,287	431,492	206,636	42,223

	Notes	Year ended 31 December 2021	2022	2023	Five months ended 31 May 2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from disposal of items of property, plant and equipment		1,308	148	1,501	1,182	137
Purchases of items of property, plant and equipment		(223,691)	(118,093)	(165,973)	(80,911)	(68,799)
Purchases of intangible assets		(2,567)	(4,433)	(2,979)	(972)	(3,168)
Proceeds from disposal of financial assets at fair value through profit or loss		381,300	808,400	1,549,000	558,000	462,000
Purchases of financial assets at fair value through profit or loss		(405,900)	(795,500)	(1,637,000)	(694,000)	(391,000)
Acquisition of a subsidiary, net of cash and cash equivalents held by the subsidiary at the acquisition date	32	(13,619)	—	—	—	—
(Increase)/decrease in pledged deposits		(18,947)	21,567	(21,339)	(50,468)	2,750
Investment income from financial assets at fair value through profit or loss		1,092	2,191	4,040	1,134	1,355
Net cash flows (used in)/from investing activities		(281,024)	(85,720)	(272,750)	(266,035)	3,275
CASH FLOWS FROM FINANCING ACTIVITIES						
New bank borrowings	31	252,025	43,905	29,400	29,400	11,637
Capital contribution from shareholders		—	—	—	—	43,170
Repayment of bank borrowings	31	(130,953)	(65,646)	(79,526)	(24,500)	(29,400)
Interest paid		(4,852)	(6,453)	(4,846)	(1,435)	(878)
Payment of lease liabilities		—	(330)	(360)	—	—
Payment of listing expenses		—	—	(1,738)	—	—
Net cash flows from/(used in) financing activities		116,220	(28,524)	(57,070)	3,465	24,529
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(77,557)	11,043	101,672	(55,935)	70,027
Cash and cash equivalents at beginning of year/period		174,391	96,778	108,231	108,231	209,878
Effect of foreign exchange rate changes, net		(56)	410	(25)	(184)	180
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		96,778	108,231	209,878	52,113	280,085
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	22	164,048	153,933	276,919	148,283	344,376
Less: pledged deposits	22	67,270	45,702	67,041	96,170	64,291
Cash and cash equivalents as stated in the statements of financial position and the statements of cash flows	22	96,778	108,231	209,878	52,113	280,085

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December			As at 31 May
		2021	**2022**	**2023**	**2024**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*13*	235,848	197,205	164,560	155,194
Right-of-use assets		8,737	8,506	8,275	8,179
Other intangible assets	*16*	22,632	16,956	11,562	9,415
Investments in subsidiaries		184,973	335,181	589,217	593,872
Deferred tax assets	*17*	5,909	5,906	10,439	11,164
Other non-current assets	*20*	23	1,315	—	2,257
Total non-current assets		458,122	565,069	784,053	780,081
CURRENT ASSETS					
Inventories	*18*	149,656	84,611	69,234	93,029
Trade and bills receivables	*19*	465,257	272,284	281,729	333,859
Contract assets		3,685	196	—	—
Prepayments, deposits and other receivables	*20*	103,582	62,242	94,068	103,711
Financial assets at fair value through profit or loss	*21*	50,400	20,359	41,314	71,868
Pledged deposits	*22*	34,534	10,685	10,906	3,467
Cash and cash equivalents	*22*	53,289	88,509	154,845	114,861
Total current assets		860,403	538,886	652,096	720,795
CURRENT LIABILITIES					
Trade and bills payables	*23*	371,994	155,231	237,631	248,935
Other payables and accruals	*24*	125,484	66,066	58,973	52,107
Interest-bearing bank borrowings	*27*	—	25,028	—	—
Contract liabilities	*25*	752	491	796	315
Total current liabilities		498,230	246,816	297,400	301,357
NET CURRENT ASSETS		362,173	292,070	354,696	419,438
TOTAL ASSETS LESS CURRENT LIABILITIES		820,295	857,139	1,138,749	1,199,519

		As at 31 December			As at 31 May
		2021	2022	2023	2024
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT LIABILITIES					
Deferred income	*26*	6,976	3,952	1,635	1,400
Deferred tax liabilities	*17*	60	54	197	280
Total non-current liabilities		7,036	4,006	1,832	1,680
Net assets		813,259	853,133	1,136,917	1,197,839
EQUITY					
Share capital	*28*	411,495	411,495	480,078	498,507
Other reserves	*30*	401,764	441,638	656,839	699,332
Total equity		813,259	853,133	1,136,917	1,197,839

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a joint stock company with limited liability established in the People's Republic of China ("**PRC**"). The registered office of the Company is located at 33 South Huanshi Avenue, Nansha District, Guangzhou, Guangdong Province, China.

During the Relevant Periods, the Group was involved in the following principal activities:

- manufacture and sale of light-emitting diode ("**LED**") related products
- manufacture and sale of automotive intelligent vision products

As at 31 May 2024, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
聯晶智能電子有限公司 Linlux Electronics Co., Ltd.* *(note (a)(d))*	PRC/Chinese Mainland 9 October 2018	RMB250,000,000	100%	—	LED related modules
晶科光電科技(香港)有限公司 APT Electronics (HK) Co., Limited *(note (b)(c))*	Hong Kong 26 June 2017	USD5,000,000	100%	—	Research and development
領為視覺智能科技(寧波)有限公司 Lynway Vision Technology (NB) Co., Ltd.* ("**Lynway Vision**") *(note (a)(d))*	PRC/Chinese Mainland 26 October 2018	RMB104,100,000	100%	—	Automotive intelligent vision products
廣州領為汽車照明有限公司 Guangzhou Lynway Automotive Lighting Co., Ltd.* *(note (e))*	PRC/Chinese Mainland 19 October 2022	RMB10,000,000	—	100%	Automotive intelligent vision products

* The English names of the above company registered in the PRC represents the best efforts made by the directors of the Company in directly translating the Chinese names of these companies as no English names have been registered.

Notes:

(a) The statutory financial statements of these entities for the years ended 31 December 2021 and 2022 prepared under PRC Generally Accepted Accounting Principles ("**PRC GAAP**") were audited by Pan-China Certified Public Accountants, certified public accountants registered in the PRC.

(b) The statutory financial statements of this entity for the years ended 31 December 2021 and 2022 prepared under Hong Kong Financial Reporting Standards were audited by Confucius International CPA Limited registered in Hong Kong.

(c) The statutory financial statements of these entities for the year ended 31 December 2023 have not yet been issued as at the date of this report.

(d) The statutory financial statements of these entities for the year ended 31 December 2023 prepared under PRC GAAP were audited by Ernst & Young Hua Ming LLP Guangzhou Branch (安永華明會計師事務所(特殊普通合夥)廣州分所), certified public accountants registered in the PRC.

(e) No audited financial statements have been prepared for this entity for the years ended 31 December 2021, 2022 and 2023.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), which comprise all standards and interpretations approved by the International Accounting Standards Board ("**IASB**"). All IFRSs effective for the accounting period commencing from 1 January 2024, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods and the period covered by the Interim Comparative Financial Information.

The Historical Financial Information has been prepared under the historical cost convention, except for certain financial assets which have been measured at fair value through profit or loss, or other comprehensive income.

2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Historical Financial Information. The Group intends to apply these revised and new IFRSs, if applicable, when they become effective.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to IAS 21	*Lack of Exchangeability*[2]
Amendments to IFRS 9 and IFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*[3]
IFRS 18	*Presentation and Disclosure in Financial Statements*[4]
IFRS 19	*Subsidiaries without Public Accountability: Disclosures*[4]

Notes:

1 No mandatory effective date yet determined but available for adoption
2 Effective for annual periods beginning on or after 1 January 2025
3 Effective for annual periods beginning on or after 1 January 2026
4 Effective for annual periods beginning on or after 1 January 2027

The Group is in the process of making a detailed assessment of the impact of these revised IFRSs upon initial application. So far, the Group considers that these revised IFRSs may result in changes in certain accounting policies and are unlikely to have a significant impact on the Group's financial performance and financial position in the period of initial application.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Fair value measurement

The Group measures its financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	4.75% to 4.85%
Machinery and others	9.50% to 32.33%
Leasehold improvements	Over the shorter of the lease terms and 33.33%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for intangible assets with a finite useful life are reviewed at least at each financial year end.

Intangible assets are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives. The principal estimated useful lives of intangible assets are as follows:

Categories	Estimated useful lives
Software	3-10 years
Trademarks and patents	3-16 years

The estimated useful lives of intangible assets are determined by considering the period of the economic benefits to the Group or the periods of validity of intangible assets protected by the relevant laws, as well as by referring to the industry practice.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings	5 years
Leasehold land	20-50 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in other income and gains in the consolidated statements of profit or loss and other comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For financial assets at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss ("**FVTPL**"). ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade and bills receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals, interest-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal. The amount of write-down of inventories to net realisable value and all losses of inventories are recognised as other expenses in the period the write-down or loss occurs.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

The Group provides for warranties in relation to the sale of intelligent vision products and systems. Provisions for these assurance-type warranties granted by the Group are initially recognised based on sales volume and past experience of the level of repairs and returns. The warranty-related cost is revised annually.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries and an associate, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries and an associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Sale of intelligent vision products and systems

Revenue from the sale of intelligent vision products and systems is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products and systems.

Volume rebates

Retrospective volume rebates may be provided to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the most likely amount method is used for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future rebates is recognised.

Rendering of services

Revenue from the services is primarily generated through the development of several intelligent automotive projects and is recognised at a point in time as the control of services is delivered to the customer.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Rental income is recognised on a time proportion basis over the lease terms.

Contract assets

If the Group performs by transferring goods to a customer before being unconditionally entitled to the consideration under the contract terms, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets. They are reclassified to trade receivables when the right to the consideration becomes unconditional.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related services to the customer).

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Chinese Mainland are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain proportion of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Housing fund — Chinese Mainland

The Group contributes on a monthly basis to a defined contribution housing fund plan operated by the local municipal government. Contributions to this plan by the Group are expensed as incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Share-based payments

The Company operates a share award scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("**equity-settled transactions**"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Foreign currencies

The Historical Financial Information is presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the Historical Financial Information of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currency of one overseas subsidiary is currency other than RMB. As at the end of the reporting period, the assets and liabilities of this entity is translated into RMB at the exchange rates prevailing at the end of the reporting period and its statement of profit or loss is translated into RMB at the weighted average exchange rates for each of the year or period.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiary is translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiary which arise throughout the year or period is translated into RMB at the weighted average exchange rates for each of the reporting period.

3. MATERIAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 15.

Provision for expected credit losses on trade and bills receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade and bills receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 19 to the Historical Financial Information.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are included in note 17 to the Historical Financial Information.

Write-down of inventories to net realisable value

The Group reviews the carrying amounts of the inventories at the end of each of the Relevant Periods to determine whether the inventories are carried at the lower of cost and net realisable value. The net realisable value is estimated based on the current market situation and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories written down or the related reversals of write-down and affect the Group's financial position.

Share-based payments

The Group makes the best estimate of the number of exercisable equity instruments at the end of the reporting period during the waiting period. Share-based payment expenses are recognised based on the fair value on the grant date and the latest subsequent information obtained. The Group has evaluated the fair value of the equity instruments on the grant date based on the recent transaction price, and also estimated the number of exercisable equity instruments.

4. OPERATING SEGMENT INFORMATION

Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

Geographical information

(a) Revenue from external customers

Revenue is attributed to geographical areas based on the locations of customers. Revenues by geographical segment based on the locations of customers for each of the Relevant Periods and five months ended 31 May 2023 are presented as follows:

Segments	Year ended 31 December			Five months ended 31 May	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Chinese Mainland	1,058,750	1,136,009	1,576,756	515,804	707,518
Outside Chinese Mainland	329,630	274,623	281,276	108,813	135,675
Total revenue	1,388,380	1,410,632	1,858,032	624,617	843,193

(b) Non-current assets

	As at 31 December			As at 31 May
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Chinese Mainland	957,279	976,598	993,693	990,877
Outside Chinese Mainland	12	596	1,145	1,100
Total non-current assets	957,291	977,194	994,838	991,977

The non-current asset information of continuing operations above is based on the locations of the assets and excludes deferred tax assets.

Information about major customers

Revenue from the major customers which amounted to 10% or more of the Group's revenue is set out below:

	Year ended 31 December			Five months ended 31 May	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Customer I	423,585	288,982	229,076	87,074	98,588
Customer II	255,095	140,924	N/A	65,413	N/A
Customer III	148,784	N/A	N/A	N/A	N/A
Customer IV	N/A	350,129	705,774	211,389	326,739
Customer V	N/A	140,250	192,211	66,080	100,022

N/A represents revenue from the customers which amounted to less than 10% of the Group's revenue.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December			Five months ended 31 May	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue from contracts with customers	1,388,380	1,410,632	1,858,032	624,617	843,193

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended 31 December			Five months ended 31 May	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Types of products					
Automotive intelligent vision	74,251	399,674	770,973	225,676	365,445
High-end lighting	1,033,857	670,242	650,821	253,630	254,103
Advanced display	280,272	340,716	436,238	145,311	223,645
Total revenue from contracts with customers	1,388,380	1,410,632	1,858,032	624,617	843,193
Geographical markets					
Chinese Mainland	1,058,750	1,136,009	1,576,756	515,804	707,518
Outside Chinese Mainland	329,630	274,623	281,276	108,813	135,675
Total revenue from contracts with customers	1,388,380	1,410,632	1,858,032	624,617	843,193
Sales Channels					
Direct sales	1,220,663	1,261,897	1,718,451	585,254	780,251
Channel partners	167,717	148,735	139,581	39,363	62,942
Total revenue from contracts with customers	1,388,380	1,410,632	1,858,032	624,617	843,193
Timing of revenue recognition					
Goods or services transferred at a point in time	1,388,380	1,410,632	1,858,032	624,617	843,193

The following table shows the amounts of revenue recognised during the Relevant Periods and five months ended 31 May 2023 that were included in the contract liabilities at the beginning of each reporting period.

	Year ended 31 December			Five months ended 31 May	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:					
Automotive intelligent vision	—	—	5,100	—	—
High-end lighting	900	752	491	367	795
Advanced display	—	—	956	956	239
Total	900	752	6,547	1,323	1,034

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of intelligent vision products and systems

The performance obligation is satisfied upon delivery of the intelligent vision products and systems, and payment is generally due within 60 to 120 days from delivery, except for new customers and intelligent automotive vision development services, where payment in advance is normally required.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) for the Relevant Periods and five months ended 31 May 2023 are as follows:

	Year ended 31 December			Five months ended 31 May	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Amounts expected to be recognised as revenue:					
Within one year	752	9,136	10,995	14,327	10,661
After one year	7,050	4,500	3,000	5,139	3,000
Total	7,802	13,636	13,995	19,466	13,661

An analysis of other income and gains is as follows:

	Year ended 31 December			Five months ended 31 May	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Other income					
Interest income	2,800	3,241	3,276	1,289	1,627
Government grants*	29,881	12,650	11,204	6,220	1,426
Rental income	391	1,445	1,257	813	276
Others	685	329	5,106	147	3,028
Total other income	33,757	17,665	20,843	8,469	6,357
Gains					
Gain on foreign exchange differences	648	5,349	205	204	663
Gain on remeasurement of the equity interest in an associate to a subsidiary at the date of acquisition	22,139	—	—	—	—
Investment income from financial assets at FVTPL	1,092	2,191	4,040	1,134	1,355
Fair value gain/(loss) on financial assets at FVTPL	441	(142)	1,179	496	380
Others	348	—	—	—	—
Total gains	24,668	7,398	5,424	1,834	2,398
Total other income and gains	58,425	25,063	26,267	10,303	8,755

* Government grants mainly represent incentives received from local governments for the purpose of compensation on R&D contribution, local economic contribution and purchases of items of property, plant and equipment. There are no unfulfilled conditions or contingencies relating to these grants.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

		Year ended 31 December			Five months ended 31 May	
		2021	2022	2023	2023	2024
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Cost of inventories sold		1,160,102	1,174,395	1,490,317	520,307	688,947
Cost of services provided		—	1,052	28,704	—	—
Depreciation of property, plant and equipment	*13*	61,173	97,469	118,489	49,417	50,794
Depreciation of right-of-use assets	*14(a)*	1,468	2,478	2,649	1,104	1,104
Amortisation of intangible assets	*16*	7,499	10,087	9,988	4,323	4,133
Research and development costs		62,020	88,749	87,225	36,347	37,632
Lease payments not included in the measurement of lease liabilities	*14(c)*	518	366	427	73	166
Listing expenses		—	—	6,590	—	11,569
Employee benefit expenses (excluding directors' and chief executive's remuneration *(note 8)*):						
Wages, salaries and other allowances		160,670	219,310	240,646	93,161	114,114
Pension scheme contributions and social welfare*		15,638	23,831	27,392	10,654	13,386
Share-based payment expenses		1,233	1,233	2,257	337	2,335
Total		177,541	244,374	270,295	104,152	129,835

		Year ended 31 December			Five months ended 31 May	
		2021	2022	2023	2023	2024
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Foreign exchange differences, net		(648)	(5,349)	(205)	(204)	(663)
Impairment losses on financial and contract assets, net		3,232	1,950	2,128	(1,054)	1,580
Write-down of inventories to net realisable value		4,505	16,343	30,158	16,827	6,650
Gain on remeasurement of the equity interest in an associate to a subsidiary at the date of acquisition		(22,139)	—	—	—	—
Loss on derecognition of financial assets measured at amortised cost		—	79	—	—	—
Investment income from financial assets at FVTPL		(1,092)	(2,191)	(4,040)	(1,134)	(1,355)
Fair value (gain)/loss on financial assets at FVTPL		(441)	142	(1,179)	(496)	(380)
Loss on disposal of items of property, plant and equipment		51	4,785	3,057	475	346

* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

7. FINANCE COSTS

	Year ended 31 December			Five months ended 31 May	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Interest on bank and other borrowings	4,996	6,418	4,778	2,161	1,252
Interest on lease liabilities	—	27	60	27	20
Less: Interest capitalised	(2,179)	—	—	—	—
Total	2,817	6,445	4,838	2,188	1,272

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the Relevant Periods and five months ended 31 May 2023, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Year ended 31 December			Five months ended 31 May	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Fees	160	256	300	126	296
Other emoluments:					
— Salaries, allowances and benefits in kind	1,608	1,614	1,680	687	689
— Performance related bonuses	781	454	659	72	74
— Share-based payment expenses	436	465	930	387	766
— Pension scheme contributions	34	35	53	15	29
Subtotal	2,859	2,568	3,322	1,161	1,558
Total fees and other emoluments	3,019	2,824	3,622	1,287	1,854

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the Relevant Periods and five months ended 31 May 2023 were as follows:

	Year ended 31 December			Five months ended 31 May	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Ms. ZHANG He	80	92	100	42	67
Ms. LIN Nan	—	72	100	42	67
Ms. DING Hui	80	92	100	42	67
Mr. CHAN Chi Kong	—	—	—	—	95
Total	160	256	300	126	296

There were no other emoluments payable to the independent non-executive directors during the Relevant Periods and five months ended 31 May 2023.

(b) Executive director and non-executive directors

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Share-based payment expenses	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2021						
Executive director:						
Mr. XIAO Guowei	—	1,608	781	436	34	2,859
Non-executive directors:						
Mr. YUAN Lie Ming Peter	—	—	—	—	—	—
Mr. WU Nan-Yang	—	—	—	—	—	—
Mr. CHAN Philip Ching Ho	—	—	—	—	—	—
Total	—	1,608	781	436	34	2,859

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Share-based payment expenses	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2022						
Executive director:						
Mr. XIAO Guowei	—	1,614	454	465	35	2,568
Non-executive directors:						
Mr. YUAN Lie Ming Peter	—	—	—	—	—	—
Mr. WU Nan-Yang	—	—	—	—	—	—
Mr. CHAN Philip Ching Ho	—	—	—	—	—	—
Total	—	1,614	454	465	35	2,568

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Share-based payment expenses	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2023						
Executive director:						
Mr. XIAO Guowei	—	1,680	659	930	53	3,322
Non-executive directors:						
Mr. YUAN Lie Ming Peter	—	—	—	—	—	—
Mr. WU Nan-Yang	—	—	—	—	—	—
Mr. CHAN Philip Ching Ho	—	—	—	—	—	—
Total	—	1,680	659	930	53	3,322

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Share-based payment expenses	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*
Five months ended 31 May 2023						
Executive director:						
Mr. XIAO Guowei	—	687	72	387	15	1,161
Non-executive directors:						
Mr. YUAN Lie Ming Peter	—	—	—	—	—	—
Mr. WU Nan-Yang	—	—	—	—	—	—
Mr. CHAN Philip Ching Ho	—	—	—	—	—	—
Total	—	687	72	387	15	1,161

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Share-based payment expenses	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Five months ended 31 May 2024						
Executive director:						
Mr. XIAO Guowei	—	689	74	766	29	1,558
Non-executive directors:						
Mr. YUAN Lie Ming Peter	—	—	—	—	—	—
Mr. WU Nan-Yang	—	—	—	—	—	—
Mr. CHAN Philip Ching Ho	—	—	—	—	—	—
Mr. ZHENG Xin	—	—	—	—	—	—
Total	—	689	74	766	29	1,558

There were no emoluments payable to the non-executive directors during the Relevant Periods and five months ended 31 May 2023.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods and five months ended 31 May 2023.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group included one director of the Company during the Relevant Periods and five months ended 31 May 2023, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining four highest paid employees who are not directors of the Company are as follows:

	Year ended 31 December			Five months ended 31 May	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Salaries, allowances and benefits in kind	4,032	4,723	5,434	2,199	2,308
Performance related bonuses	1,602	1,407	1,890	406	405
Share-based payment expenses	663	598	1,099	458	594
Pension scheme contributions	152	268	292	115	98
Total	6,449	6,996	8,715	3,178	3,405

The number of non-director highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December			Five months ended 31 May	
	2021	2022	2023	2023	2024
				(unaudited)	
HK$500,001 to HK$1,000,000	—	—	—	3	2
HK$1,000,001 to HK$1,500,000	1	—	—	1	2
HK$1,500,001 to HK$2,000,000	1	2	1	—	—
HK$2,000,001 to HK$2,500,000	2	2	1	—	—
HK$2,500,001 to HK$3,000,000	—	—	2	—	—
Total	4	4	4	4	4

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Hong Kong

The subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong. No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Relevant Periods and five months ended 31 May 2023.

Chinese Mainland

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the "**CIT Law**"), the subsidiaries which operate in Chinese Mainland are subject to CIT at a rate of 25% on the taxable income except those which are subject to tax concession as set out below:

(a) In 2021, the Company was accredited as a "High and New Technology Enterprise" ("**HNTE**"), and was entitled to a preferential CIT rate of 15% for the Relevant Periods.

(b) In 2022, a certain subsidiary was accredited as an HNTE, and is entitled to a preferential CIT rate of 15% from 2022 to 2024.

The income tax expense of the Group for the Relevant Periods and five months ended 31 May 2023 is analysed as follows:

	Year ended 31 December			Five months ended 31 May	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Current income tax	7,809	(26)	—	—	3,849
Deferred income tax	5,213	(28,342)	(282)	(4,285)	(1,320)
Total	13,022	(28,368)	(282)	(4,285)	2,529

A reconciliation of the tax expense/(credit) applicable to profit before tax at the statutory tax rate for the countries in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December			Five months ended 31 May	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit before tax	91,022	10,703	71,760	3,277	34,702
Tax at the statutory tax rate	13,653	1,605	10,764	492	5,205
Effect on different tax rate	—	(5,221)	(427)	(1,655)	1,335
Adjustments in respect of current tax of previous periods	15	(26)	—	—	1,221
Expenses not deductible for tax	179	294	265	149	93
Additional deductible allowance for qualified research and development costs	(8,730)	(11,934)	(12,523)	(4,303)	(4,635)
Additional deductible allowance for disabled people	—	(49)	(67)	(25)	(39)
Additional deductible allowance for high-tech enterprise equipment cost	—	(2,151)	—	—	—
Deductible temporary differences in unrecognised deferred tax assets	398	294	462	546	—
Recognition of tax losses and temporary differences not recognised	—	(21,331)	(865)	(953)	(1,265)
Tax losses on unrecognised deferred tax assets	7,507	10,151	2,109	1,464	614
Tax charge/(credit) at the Group's effective tax rate	13,022	(28,368)	(282)	(4,285)	2,529

11. DIVIDENDS

No dividends have been paid or declared by the Company during the Relevant Periods.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit attributable to owners of the parent and the weighted average number of ordinary shares in issue during the Relevant Periods and five months ended 31 May 2023.

No adjustment has been made to the basic earnings per share amounts presented for the Relevant Periods in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the Relevant Periods and five months ended 31 May 2023.

The following reflects the income and share data used in the basic earnings per share computation:

	Year ended 31 December			Five months ended 31 May	
	2021	**2022**	**2023**	**2023**	**2024**
				(unaudited)	
Earnings:					
Profit for the year attributable to owners of the parent, used in the basic earnings per share calculation (RMB'000)	85,896	40,791	66,378	14,146	32,173
Number of shares:					
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation (in thousand shares)	411,495	411,495	417,884	411,495	496,203

13. PROPERTY, PLANT AND EQUIPMENT

The Group

31 December 2021	Buildings	Machinery and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021:				
Cost	129,647	371,050	121,923	622,620
Accumulated depreciation	(52,373)	(166,667)	—	(219,040)
Net carrying amount	77,274	204,383	121,923	403,580
At 1 January 2021, net of accumulated depreciation	77,274	204,383	121,923	403,580
Acquisition of a subsidiary *(note 32)*	132,670	88,938	14,351	235,959
Additions	22	4,793	234,980	239,795
Disposals	—	(1,300)	—	(1,300)
Transfers	231,702	112,586	(344,288)	—
Depreciation provided during the year	(19,294)	(41,879)	—	(61,173)
At 31 December 2021, net of accumulated depreciation	422,374	367,521	26,966	816,861
At 31 December 2021:				
Cost	487,150	573,614	26,966	1,087,730
Accumulated depreciation	(64,776)	(206,093)	—	(270,869)
Net carrying amount *(note (a))*	422,374	367,521	26,966	816,861

31 December 2022	Buildings	Machinery and others	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022:					
Cost	487,150	573,614	—	26,966	1,087,730
Accumulated depreciation.	(64,776)	(206,093)	—	—	(270,869)
Net carrying amount	422,374	367,521	—	26,966	816,861
At 1 January 2022, net of accumulated depreciation	422,374	367,521	—	26,966	816,861
Additions	8,364	7,916	—	114,146	130,426
Disposals	—	(4,898)	—	—	(4,898)
Transfers	1,241	92,699	1,107	(95,047)	—
Exchange realignment	—	1	—	25	26
Depreciation provided during the year	(28,534)	(68,873)	(62)	—	(97,469)
At 31 December 2022, net of accumulated depreciation	403,445	394,366	1,045	46,090	844,946
At 31 December 2022:					
Cost	483,178	657,870	1,107	46,090	1,188,245
Accumulated depreciation.	(79,733)	(263,504)	(62)	—	(343,299)
Net carrying amount *(note (a))*	403,445	394,366	1,045	46,090	844,946

31 December 2023	Buildings	Machinery and others	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023:					
Cost	483,178	657,870	1,107	46,090	1,188,245
Accumulated depreciation.	(79,733)	(263,504)	(62)	—	(343,299)
Net carrying amount	403,445	394,366	1,045	46,090	844,946
At 1 January 2023, net of accumulated depreciation	403,445	394,366	1,045	46,090	844,946
Additions	3,626	4,351	154	146,796	154,927
Disposals	—	(4,344)	—	—	(4,344)
Transfers	15,725	151,454	—	(167,179)	—
Exchange realignment	—	8	—	4	12
Depreciation provided during the year	(28,718)	(89,348)	(423)	—	(118,489)
At 31 December 2023, net of accumulated depreciation	394,078	456,487	776	25,711	877,052
At 31 December 2023:					
Cost	492,517	797,362	1,261	25,711	1,316,851
Accumulated depreciation	(98,439)	(340,875)	(485)	—	(439,799)
Net carrying amount *(note (a))*	394,078	456,487	776	25,711	877,052

31 May 2024	Buildings	Machinery and others	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2024:					
Cost	492,517	797,362	1,261	25,711	1,316,851
Accumulated depreciation.	(98,439)	(340,875)	(485)	—	(439,799)
Net carrying amount	394,078	456,487	776	25,711	877,052
At 1 January 2024, net of accumulated depreciation	394,078	456,487	776	25,711	877,052
Additions	1,167	365	—	44,671	46,203
Disposals	—	(483)	—	—	(483)
Transfers	—	11,288	—	(11,288)	—
Exchange rate adjustment	—	4	—	—	4
Depreciation provided during the period	(13,986)	(36,632)	(176)	—	(50,794)
At 31 May 2024, net of accumulated depreciation	381,259	431,029	600	59,094	871,982
At 31 May 2024:					
Cost	489,985	805,002	1,261	59,094	1,355,342
Accumulated depreciation.	(108,726)	(373,973)	(661)	—	(483,360)
Net carrying amount *(note (a))*	381,259	431,029	600	59,094	871,982

(a) Certain property, plant and equipment with net carrying amounts of approximately RMB66,264,000, RMB259,141,000, RMB237,734,000 and RMB253,934,000 as at 31 December 2021, 2022 and 2023 and 31 May 2024, respectively, were pledged as security for bank facilities granted to the Group.

The Company

31 December 2021	Buildings	Machinery and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021:				
Cost	129,647	343,924	3,466	477,037
Accumulated depreciation	(52,373)	(162,028)	—	(214,401)
Net carrying amount	77,274	181,896	3,466	262,636
At 1 January 2021, net of accumulated depreciation	77,274	181,896	3,466	262,636
Additions	—	3,539	37,449	40,988
Disposals	—	(22,969)	—	(22,969)
Transfers	—	40,242	(40,242)	—
Depreciation provided during the year	(13,712)	(31,095)	—	(44,807)
At 31 December 2021, net of accumulated depreciation	63,562	171,613	673	235,848
At 31 December 2021:				
Cost	122,756	355,455	673	478,884
Accumulated depreciation	(59,194)	(183,842)	—	(243,036)
Net carrying amount *(note (a))*	63,562	171,613	673	235,848

31 December 2022	Buildings	Machinery and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022:				
Cost	122,756	355,455	673	478,884
Accumulated depreciation	(59,194)	(183,842)	—	(243,036)
Net carrying amount	63,562	171,613	673	235,848
At 1 January 2022, net of accumulated depreciation	63,562	171,613	673	235,848
Additions	3,303	497	7,142	10,942
Disposals	—	(4,739)	—	(4,739)
Transfers	—	7,003	(7,003)	—
Depreciation provided during the year	(9,802)	(35,044)	—	(44,846)
At 31 December 2022, net of accumulated depreciation	57,063	139,330	812	197,205
At 31 December 2022:				
Cost	112,481	347,053	812	460,346
Accumulated depreciation	(55,418)	(207,723)	—	(263,141)
Net carrying amount *(note (a))*	57,063	139,330	812	197,205

31 December 2023	Buildings	Machinery and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023:				
Cost	112,481	347,053	812	460,346
Accumulated depreciation	(55,418)	(207,723)	—	(263,141)
Net carrying amount	57,063	139,330	812	197,205
At 1 January 2023, net of accumulated depreciation	57,063	139,330	812	197,205
Additions	—	1,160	6,533	7,693
Disposals	—	(1,453)	—	(1,453)
Transfers	203	5,840	(6,043)	—
Depreciation provided during the year	(7,586)	(31,299)	—	(38,885)
At 31 December 2023, net of accumulated depreciation	49,680	113,578	1,302	164,560
At 31 December 2023:				
Cost	103,369	343,189	1,302	447,860
Accumulated depreciation	(53,689)	(229,611)	—	(283,300)
Net carrying amount *(note (a))*	49,680	113,578	1,302	164,560

31 May 2024	Buildings	Machinery and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2024:				
Cost	103,369	343,189	1,302	447,860
Accumulated depreciation	(53,689)	(229,611)	—	(283,300)
Net carrying amount	49,680	113,578	1,302	164,560
At 1 January 2024, net of accumulated depreciation	49,680	113,578	1,302	164,560
Additions	210	100	5,269	5,579
Disposals	—	(331)	—	(331)
Transfers	—	647	(647)	—
Depreciation provided during the period	(2,674)	(11,940)	—	(14,614)
At 31 May 2024, net of accumulated depreciation	47,216	102,054	5,924	155,194
At 31 May 2024:				
Cost	102,312	341,077	5,924	449,313
Accumulated depreciation	(55,096)	(239,023)	—	(294,119)
Net carrying amount *(note (a))*	47,216	102,054	5,924	155,194

(a) Certain property, plant and equipment with net carrying amounts of approximately RMB66,264,000, RMB39,974,000, RMB18,749,000 and RMB18,033,000 as at 31 December 2021, 2022 and 2023 and 31 May 2024, respectively, were pledged as security for bank facilities granted to the Group.

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of properties used in its operations. Leases of properties generally have lease terms between 5 and 50 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the right-of-use assets and the movements during the Relevant Periods are as follows:

	Leasehold land
	RMB'000
Year ended 31 December 2021	
At beginning of year	26,531
Additions as a result of acquisition of a subsidiary	55,920
Depreciation charge *(note 6)*	(1,468)
At end of year *(note (i))*	80,983

	Buildings	Leasehold land	Total
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2022			
At beginning of year	—	80,983	80,983
Additions	1,456	—	1,456
Depreciation charge *(note 6)*	(121)	(2,357)	(2,478)
At end of year *(note (i))*	1,335	78,626	79,961

	Buildings	Leasehold land	Total
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2023			
At beginning of year	1,335	78,626	79,961
Additions	—	—	—
Depreciation charge *(note 6)*	(291)	(2,358)	(2,649)
At end of year *(note (i))*	1,044	76,268	77,312

	Buildings	Leasehold land	Total
	RMB'000	*RMB'000*	*RMB'000*
Five months ended 31 May 2024			
At beginning of period	1,044	76,268	77,312
Additions	—	—	—
Depreciation charge *(note 6)*	(121)	(983)	(1,104)
At end of period *(note (i))*	923	75,285	76,208

(i) Certain leasehold land with net carrying amounts of approximately RMB16,623,000, nil, nil and nil as at 31 December 2021, 2022 and 2023 and 31 May 2024, respectively, was pledged as security for bank facilities granted to the Group (note 27).

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the Relevant Periods are as follows:

	As at 31 December			As at 31 May
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	—	—	1,180	910
New leases	—	1,456	—	—
Accretion of interest recognised during the year/period *(note 7)*	—	27	60	20
Payments	—	(303)	(330)	—
Carrying amount at the end of the year/period	—	1,180	910	930
Analysed into:				
Current portion	—	271	287	293
Non-current portion	—	909	623	637

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 December			Five months ended 31 May	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Interest on lease liabilities *(note 7)*	—	27	60	27	20
Depreciation charge of right-of-use assets *(note 6)*	1,468	2,478	2,649	1,104	1,104
Expense relating to short-term leases *(note 6)*	518	366	427	73	166
Total amount recognised in profit or loss	1,986	2,871	3,136	1,204	1,290

The Group as a lessor

The Group leases its dormitories and offices in Guangzhou under operating lease arrangements. Details of rental income recognised are included in note 5.

At the end of each of the Relevant Periods, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	As at 31 December			As at 31 May
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year.	—	170	83	—

15. GOODWILL

	As at 1 January	As at 31 December			As at 31 May
	2021	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost and carrying amount	—	13,523	13,523	13,523	13,523

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating unit ("**CGU**") for impairment testing due to the acquisition of Lynway Vision:

— Lynway Vision manufacturing and sales CGU

The recoverable amount of the Lynway Vision manufacturing and sales CGU has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a 5-year period approved by senior management.

Assumptions were used in the value in use calculation of the Lynway Vision manufacturing and sales CGU for the end of each of the Relevant Periods. The following are the key assumptions on which management has based to undertake impairment testing of goodwill:

	As at 31 December			As at 31 May
	2021	2022	2023	2024
Compound growth rate of revenue over the forecast period	71.0%	34.4%	12.8%	8.6%
Pre-tax discount rate	14.1%	15.2%	14.6%	14.1%
Terminal growth rate	2.5%	2.5%	2.5%	2.5%

Compound growth rate of revenue — The basis is determined with reference to the average revenue achieved in the years before the budgeted year, increased for management's expectation of the future market.

Pre-tax discount rate — The discount rate used is before tax and reflects specific risks relating to the relevant unit.

Terminal growth rate — The basis is determined with reference to the long-term Customer Price Index of China and the nature of the business.

The values assigned to the key assumptions on compound growth rate of revenue, discount rate and terminal growth rate are consistent with external information sources.

The fluctuation of the compound growth rate of revenue during the Relevant Periods is mainly attributed to the fact that Lynway Vision was in its initial stage in 2021 and before. With the production of intelligent automotive vision production line and the increase of mass production orders, Lynway Vision had achieved significant growth during the Relevant Periods. The Company has taken a cautious estimate that the growth rate of revenue is expected to slow down compared to the initial stage in 2021 and before.

Impairment review on the goodwill of the Group has been conducted by management as at 31 December 2021, 2022 and 2023 and 31 May 2024 according to IAS 36 "Impairment of assets". The headroom measured by the excess of the recoverable amount over the carrying amount of Lynway Vision manufacturing and sales CGU was RMB80,116,000, RMB124,642,000, RMB117,663,000 and RMB109,166,000 as at 31 December 2021, 2022 and 2023 and 31 May 2024, respectively. Based on the results of the impairment assessments, no impairment loss on the goodwill relating to Lynway Vision manufacturing and sales CGU was recognised as at 31 December 2021, 2022 and 2023 and 31 May 2024.

The Group performed the sensitivity analysis based on the assumption that the pre-tax discount rate and the compound growth rate of revenue has been changed. Had the estimated key assumption during the forecast period been changed as below, the headroom would have decreased to the following:

	As at 31 December			As at 31 May
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Compound growth rate of revenue decreases by 3%	22,138	53,238	27,241	32,027
Pre-tax discount rate increases by 1%	35,221	83,557	77,693	72,004

Considering that there was sufficient headroom based on the assessment, the directors of the Company believe that any reasonably possible change in any of the key assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount.

16. OTHER INTANGIBLE ASSETS

The Group

31 December 2021	Software	Trademarks and patents	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2021:			
Cost	2,528	58,035	60,563
Accumulated amortisation	(542)	(31,104)	(31,646)
Net carrying amount	1,986	26,931	28,917
At 1 January 2021, net of accumulated amortisation	1,986	26,931	28,917
Acquisition of a subsidiary *(note 32)*	5,165	10,358	15,523
Additions	2,421	—	2,421
Amortisation provided during the year	(576)	(6,923)	(7,499)
At 31 December 2021, net of accumulated amortisation	8,996	30,366	39,362
At 31 December 2021:			
Cost	10,114	68,393	78,507
Accumulated amortisation	(1,118)	(38,027)	(39,145)
Net carrying amount	8,996	30,366	39,362

31 December 2022	Software	Trademarks and patents	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2022:			
Cost	10,114	68,393	78,507
Accumulated amortisation	(1,118)	(38,027)	(39,145)
Net carrying amount	8,996	30,366	39,362
At 1 January 2022, net of accumulated amortisation	8,996	30,366	39,362
Additions	4,182	—	4,182
Amortisation provided during the year	(1,723)	(8,364)	(10,087)
At 31 December 2022, net of accumulated amortisation	11,455	22,002	33,457
At 31 December 2022:			
Cost	14,086	68,394	82,480
Accumulated amortisation	(2,631)	(46,392)	(49,023)
Net carrying amount	11,455	22,002	33,457

31 December 2023	Software	Trademarks and patents	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2023:			
Cost	14,086	68,394	82,480
Accumulated amortisation	(2,631)	(46,392)	(49,023)
Net carrying amount	11,455	22,002	33,457
At 1 January 2023, net of accumulated amortisation	11,455	22,002	33,457
Additions	3,301	—	3,301
Amortisation provided during the year	(2,145)	(7,843)	(9,988)
At 31 December 2023, net of accumulated amortisation	12,611	14,159	26,770
At 31 December 2023:			
Cost	17,212	63,302	80,514
Accumulated amortisation	(4,601)	(49,143)	(53,744)
Net carrying amount	12,611	14,159	26,770

31 May 2024	Software	Trademarks and patents	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2024:			
Cost	17,212	63,302	80,514
Accumulated amortisation	(4,601)	(49,143)	(53,744)
Net carrying amount	12,611	14,159	26,770
At 1 January 2024, net of accumulated amortisation	12,611	14,159	26,770
Additions	2,892	97	2,989
Amortisation provided during the period	(1,103)	(3,030)	(4,133)
At 31 May 2024, net of accumulated amortisation	14,400	11,226	25,626
At 31 May 2024:			
Cost	20,104	63,399	83,503
Accumulated amortisation	(5,704)	(52,173)	(57,877)
Net carrying amount	14,400	11,226	25,626

The Company

31 December 2021	Software	Trademarks and patents	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2021:			
Cost	2,528	58,035	60,563
Accumulated amortisation	(542)	(31,104)	(31,646)
Net carrying amount	1,986	26,931	28,917
At 1 January 2021, net of accumulated amortisation	1,986	26,931	28,917
Additions	475	—	475
Amortisation provided during the year	(355)	(6,405)	(6,760)
At 31 December 2021, net of accumulated amortisation	2,106	20,526	22,632
At 31 December 2021:			
Cost	3,003	58,035	61,038
Accumulated amortisation	(897)	(37,509)	(38,406)
Net carrying amount	2,106	20,526	22,632

31 December 2022	Software	Trademarks and patents	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2022:			
Cost	3,003	58,035	61,038
Accumulated amortisation	(897)	(37,509)	(38,406)
Net carrying amount	2,106	20,526	22,632
At 1 January 2022, net of accumulated amortisation	2,106	20,526	22,632
Additions	1,015	—	1,015
Amortisation provided during the year	(398)	(6,293)	(6,691)
At 31 December 2022, net of accumulated amortisation	2,723	14,233	16,956
At 31 December 2022:			
Cost	3,809	58,035	61,844
Accumulated amortisation	(1,086)	(43,802)	(44,888)
Net carrying amount	2,723	14,233	16,956

31 December 2023	Software	Trademarks and patents	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2023:			
Cost	3,809	58,035	61,844
Accumulated amortisation	(1,086)	(43,802)	(44,888)
Net carrying amount	2,723	14,233	16,956
At 1 January 2023, net of accumulated amortisation	2,723	14,233	16,956
Additions	827	—	827
Amortisation provided during the year	(450)	(5,771)	(6,221)
At 31 December 2023, net of accumulated amortisation	3,100	8,462	11,562
At 31 December 2023:			
Cost	4,461	52,944	57,405
Accumulated amortisation	(1,361)	(44,482)	(45,843)
Net carrying amount	3,100	8,462	11,562

31 May 2024	Software	Trademarks and patents	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2024:			
Cost	4,461	52,944	57,405
Accumulated amortisation	(1,361)	(44,482)	(45,843)
Net carrying amount	3,100	8,462	11,562
At 1 January 2024, net of accumulated amortisation	3,100	8,462	11,562
Additions	246	—	246
Amortisation provided during the period	(227)	(2,166)	(2,393)
At 31 May 2024, net of accumulated amortisation	3,119	6,296	9,415
At 31 May 2024:			
Cost	4,706	52,944	57,650
Accumulated amortisation	(1,587)	(46,648)	(48,235)
Net carrying amount	3,119	6,296	9,415

17. DEFERRED TAX

The movements in deferred tax assets of the Group during each of the Relevant Periods are as follows:

Deferred tax assets

The Group

	Tax losses	Accrued expenses	Impairment of financial assets and inventories	Lease	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021	916	—	8,927	—	928	10,771
Acquisition of a subsidiary	3,570	—	—	—	—	3,570
Deferred tax (charged)/credited to the consolidated statement of profit or loss and other comprehensive income during the year	(1,092)	—	(4,910)	—	682	(5,320)
At 31 December 2021	3,394	—	4,017	—	1,610	9,021
At 1 January 2022	3,394	—	4,017	—	1,610	9,021
Deferred tax credited to the consolidated statement of profit or loss and other comprehensive income during the year	26,340	169	1,712	178	302	28,701
At 31 December 2022	29,734	169	5,729	178	1,912	37,722
At 1 January 2023	29,734	169	5,729	178	1,912	37,722
Deferred tax (charged)/credited to the consolidated statement of profit or loss and other comprehensive income during the year	(2,803)	828	(208)	(42)	1,677	(548)
At 31 December 2023	26,931	997	5,521	136	3,589	37,174
At 1 January 2024	26,931	997	5,521	136	3,589	37,174
Deferred tax (charged)/credited to the consolidated statement of profit or loss and other comprehensive income during the period	165	(559)	445	(40)	852	863
At 31 May 2024	27,096	438	5,966	96	4,441	38,037

The Company

	Tax losses	Impairment of financial assets and inventories	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021	916	8,949	927	10,792
Deferred tax (charged)/credited to the statement of profit or loss and other comprehensive income during the year	(916)	(4,650)	683	(4,883)
At 31 December 2021	—	4,299	1,610	5,909
At 1 January 2022	—	4,299	1,610	5,909
Deferred tax credited/(charged) to the statement of profit or loss and other comprehensive income during the year	1,664	(1,419)	(248)	(3)
At 31 December 2022	1,664	2,880	1,362	5,906
At 1 January 2023	1,664	2,880	1,362	5,906
Deferred tax credited/(charged) to the statement of profit or loss and other comprehensive income during the year	4,443	(448)	538	4,533
At 31 December 2023	6,107	2,432	1,900	10,439
At 1 January 2024	6,107	2,432	1,900	10,439
Deferred tax credited/(charged) to the statement of profit or loss and other comprehensive income during the period	328	82	315	725
At 31 May 2024	6,435	2,514	2,215	11,164

Deferred tax liabilities

The Group

	Appreciation of assets acquired in business combination	Changes in fair value	Accelerated depreciation of fixed assets	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021	—	—	—	—	—
Acquisition of a subsidiary	8,404	—	—	—	8,404
Deferred tax (credited)/charged to the consolidated statement of profit or loss and other comprehensive income during the year	(176)	65	—	—	(111)
At 31 December 2021	8,228	65	—	—	8,293
At 1 January 2022	8,228	65	—	—	8,293
Deferred tax (credited)/charged to the consolidated statement of profit or loss and other comprehensive income during the year	(1,860)	(11)	2,037	200	366
At 31 December 2022	6,368	54	2,037	200	8,659
At 1 January 2023	6,368	54	2,037	200	8,659
Deferred tax (credited)/charged to the consolidated statement of profit or loss and other comprehensive income during the year	(423)	168	(518)	(45)	(818)
At 31 December 2023	5,945	222	1,519	155	7,841
At 1 January 2024	5,945	222	1,519	155	7,841
Deferred tax (credited)/charged to the consolidated statement of profit or loss and other comprehensive income during the period	(176)	57	(327)	(17)	(463)
At 31 May 2024	5,769	279	1,192	138	7,378

The Company

	Changes in fair value
	RMB'000
At 1 January 2021	—
Deferred tax charged to the statement of profit or loss and other comprehensive income during the year	60
At 31 December 2021	60
At 1 January 2022	60
Deferred tax credited to the statement of profit or loss and other comprehensive income during the year	(6)
At 31 December 2022	54
At 1 January 2023	54
Deferred tax charged to the statement of profit or loss and other comprehensive income during the year	143
At 31 December 2023	197
At 1 January 2024	197
Deferred tax charged to the statement of profit or loss and other comprehensive income during the period	83
At 31 May 2024	280

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statements of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	As at 31 December			As at 31 May
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net deferred tax assets recognised in the consolidated statements of financial position	9,021	37,544	37,038	37,941
Net deferred tax liabilities recognised in the consolidated statements of financial position	8,293	8,481	7,705	7,282

As at 31 December 2021, 2022 and 2023 and 31 May 2024, the Group has tax losses arising in Hong Kong of RMB14,324,000, RMB17,913,000, RMB23,729,000 and RMB25,632,000 that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

As at 31 December 2021, 2022 and 2023 and 31 May 2024, deferred tax assets have not been recognised in respect of tax losses of RMB168,333,000, RMB96,228,000, RMB96,629,000 and RMB90,158,000 arising in Chinese Mainland, respectively, which will expire in one to ten years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses and deductible temporary differences as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses and deductible temporary differences can be utilised.

Deferred tax assets have not been recognised in respect of the following items:

The Group

	As at 31 December			As at 31 May
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Tax losses not recognised	182,657	114,141	120,358	115,790
Deductible temporary differences	7,560	2,927	6,010	5,064
Total	190,217	117,068	126,368	120,854

18. INVENTORIES

The Group

	As at 31 December			As at 31 May
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials and consumables	79,811	67,816	63,359	74,942
Work in progress	14,644	17,060	23,918	34,339
Finished goods	83,349	103,990	107,734	117,490
Contract costs	10,223	22,713	21,015	23,965
Total	188,027	211,579	216,026	250,736

The Company

	As at 31 December			As at 31 May
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials and consumables	67,451	31,729	24,459	31,715
Work in progress	10,857	8,247	12,243	19,250
Finished goods	71,348	44,635	32,532	42,064
Total	149,656	84,611	69,234	93,029

19. TRADE AND BILLS RECEIVABLES

The Group

	As at 31 December			As at 31 May
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	411,428	436,135	538,554	593,071
Bills receivable	107,703	159,107	144,286	169,479
Impairment	(10,146)	(12,071)	(13,381)	(14,943)
Net carrying amount	508,985	583,171	669,459	747,607

The Company

	As at 31 December			As at 31 May
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	385,933	215,029	190,658	246,583
Bills receivable	88,577	63,149	96,020	92,709
Impairment	(9,253)	(5,894)	(4,949)	(5,433)
Net carrying amount	465,257	272,284	281,729	333,859

The Group's trading terms with its customers are mainly on credit. The credit period is generally 60 to 120 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management and credit limits attributed to customers are reviewed once a month. Trade receivables are non-interest-bearing.

An ageing analysis of the trade and bills receivables as at the end of each of the Relevant Periods (based on the invoice date and net of loss allowance) is as follows:

The Group

	As at 31 December			As at 31 May
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 60 days	270,222	360,058	431,968	522,808
61 to 120 days	169,624	111,016	145,319	134,549
121 to 180 day	53,681	103,994	87,911	70,752
181 days up to 1 year	15,450	8,072	3,437	17,285
1 year to 2 years	8	31	824	2,213
Total	508,985	583,171	669,459	747,607

The Company

	As at 31 December			As at 31 May
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 60 days	227,100	144,652	142,691	192,160
61 to 120 days	168,956	56,420	73,331	86,568
121 to 180 days	53,681	63,215	62,737	31,939
181 days up to 1 year	15,512	7,966	2,152	20,980
1 year to 2 years	8	31	818	2,212
Total	465,257	272,284	281,729	333,859

The movements in the loss allowance for impairment of trade and bills receivables are as follows:

The Group

	As at 31 December			As at 31 May
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	7,494	10,146	12,071	13,381
Impairment losses, net	3,191	1,933	1,846	1,562
Amount written off as uncollectible	(539)	(8)	(536)	—
At end of year/period	10,146	12,071	13,381	14,943

The Company

	As at 31 December			As at 31 May
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	7,494	9,253	5,894	4,949
Impairment losses, net	2,298	(3,351)	(410)	484
Amount written off as uncollectible	(539)	(8)	(535)	—
At end of year/period	9,253	5,894	4,949	5,433

For trade and bills receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at an amount equal to lifetime ECLs. The Group determines the ECLs on these items by using a provision matrix, estimated based on the financial quality of the debtors and historical credit loss experience based on the days past due of the trade receivables, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. The following table details the risk profile of trade and bills receivables:

The Group

As at 31 December 2021

	Gross carrying amount	Expected credit loss rate	Expected credit losses
	RMB'000		*RMB'000*
Within 1 year	518,991	2%	10,014
1 year to 2 years	120	93%	112
2 years to 3 years	—	—	—
Over 3 years	20	100%	20
Total	519,131	2%	10,146

As at 31 December 2022

	Gross carrying amount	Expected credit loss rate	Expected credit losses
	RMB'000		*RMB'000*
Within 1 year	594,694	2%	11,554
1 year to 2 years	430	93%	399
2 years to 3 years	111	100%	111
Over 3 years	7	100%	7
Total	595,242	2%	12,071

As at 31 December 2023

	Gross carrying amount	Expected credit loss rate	Expected credit losses
	RMB'000		*RMB'000*
Within 1 year	681,918	2%	13,283
1 year to 2 years	915	10%	91
2 years to 3 years	—	—	—
Over 3 years	7	100%	7
Total	682,840	2%	13,381

As at 31 May 2024

	Gross carrying amount	Expected credit loss rate	Expected credit losses
	RMB'000		*RMB'000*
Within 1 year	760,084	2%	14,690
1 year to 2 years	2,459	10%	246
2 years to 3 years	—	—	—
Over 3 years	7	100%	7
Total	762,550	2%	14,943

Certain of the Group's bill receivables with net carrying amounts of approximately nil, RMB18,186,000, RMB39,583,000 and RMB51,118,000 as at 31 December 2021, 2022 and 2023 and 31 May 2024, respectively, were pledged to secure bank facilities.

The Company

As at 31 December 2021

	Gross carrying amount	Expected credit loss rate	Expected credit losses
	RMB'000		*RMB'000*
Within 1 year	474,370	2%	9,121
1 year to 2 years	120	93%	112
2 years to 3 years	—	—	—
Over 3 years	20	100%	20
Total	474,510	2%	9,253

As at 31 December 2022

	Gross carrying amount	Expected credit loss rate	Expected credit losses
	RMB'000		*RMB'000*
Within 1 year	277,630	2%	5,377
1 year to 2 years	430	93%	399
2 years to 3 years	111	100%	111
Over 3 years	7	100%	7
Total	278,178	2%	5,894

As at 31 December 2023

	Gross carrying amount	Expected credit loss rate	Expected credit losses
	RMB'000		*RMB'000*
Within 1 year	285,762	2%	4,851
1 year to 2 years	909	10%	91
2 years to 3 years	—	—	—
Over 3 years	7	100%	7
Total	286,678	2%	4,949

As at 31 May 2024

	Gross carrying amount	Expected credit loss rate	Expected credit losses
	RMB'000		*RMB'000*
Within 1 year	336,827	2%	5,180
1 year to 2 years	2,458	10%	246
2 years to 3 years	—	—	—
Over 3 years	7	100%	7
Total	339,292	2%	5,433

Certain of the Company's bill receivables with net carrying amounts of approximately nil, RMB12,351,000, RMB32,222,000 and RMB46,118,000 as at 31 December 2021, 2022 and 2023 and 31 May 2024, respectively, were pledged to secure bank facilities.

There was no significant change in the ECL rates for the time band between the years ended 31 December 2021 and 2022, mainly because no significant changes in the historical default rates of trade receivables, economic conditions and performance, solvency and behaviour of the debtors were noted, based on which the ECL rates are determined. As at 31 December 2021 and 2022, the ECL rates for the time band of 1 year to 2 years are higher than those at 31 December 2023 and 31 May 2024, due to the recognition of a full loss allowance for the trade receivable from a certain customer on an individual basis. In 2023, the account receivable from this customer was written off, leading to a decrease in the ECL rate for the time band of 1 year to 2 years.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	As at 31 December			As at 31 May
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments	14,596	9,270	1,301	5,692
Other receivables	3,264	1,185	2,196	2,685
Value-added tax recoverable	20,124	1,828	4,652	4,184
Tax repayments	5,527	4,032	580	1,054
Prepaid expenses	508	522	3,019	4,120
Listing expenses	—	—	1,648	1,116
Less: Non-current portion	(6,562)	(5,307)	(181)	(4,638)
Provision for impairment of other receivables	—	(5)	(262)	(266)
Current portion	37,457	11,525	12,953	13,947

The Company

	As at 31 December			As at 31 May
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments	2,404	1,337	60	2,319
Other receivables	97,048	58,987	87,837	99,667
Value-added tax recoverable	—	—	3,217	468
Tax repayments	5,527	4,032	580	1,054
Prepaid expense	508	493	733	1,354
Listing expenses	—	—	1,648	1,116
Less: Non-current portion	(23)	(1,315)	—	(2,257)
Provision for impairment of other receivables	(1,882)	(1,292)	(7)	(10)
Current portion	103,582	62,242	94,068	103,711

An impairment analysis was performed at the end of each of the Relevant Periods. The Group has applied the general approach to provide for expected credit losses for non-trade other receivables under IFRS 9. The Group considered the historical loss rate and adjusted it for forward-looking macroeconomic data in calculating the expected credit loss rate.

21. FINANCIAL ASSETS AT FVTPL

The Group

	As at 31 December			As at 31 May
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets				
Financial products, at fair value	111,341	98,299	187,479	116,859

The Company

	As at 31 December			As at 31 May
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets				
Financial products, at fair value	50,400	20,359	41,314	71,868

The above financial assets were wealth management products issued by banks in Chinese Mainland. They were mandatorily classified as financial assets at FVTPL as their contractual cash flows are not solely payments of principal and interest.

22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

The Group

	As at 31 December			As at 31 May
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	164,048	153,933	276,919	344,376
Less: Pledged deposits	67,270	45,702	67,041	64,291
Cash and cash equivalents	96,778	108,231	209,878	280,085
Denominated in RMB	72,600	55,589	160,241	234,327
Denominated in US$	23,826	51,745	48,243	45,468
Denominated in HK$	352	897	1,394	290
Cash and cash equivalents	96,778	108,231	209,878	280,085

The Company

	As at 31 December			As at 31 May
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	87,823	99,194	165,751	118,328
Less: Pledged deposits	34,534	10,685	10,906	3,467
Cash and cash equivalents	53,289	88,509	154,845	114,861
Denominated in RMB	35,588	38,425	108,323	73,331
Denominated in US$	17,701	50,084	46,522	41,530
Cash and cash equivalents	53,289	88,509	154,845	114,861

The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Certain bank deposits are pledged for the issuance of a banker's acceptance.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values.

23. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of each of the Relevant Periods was as follows:

The Group

	As at 31 December			As at 31 May
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	479,378	504,831	792,766	860,820
1 to 2 years	510	1,927	224	3,263
2 to 3 years	—	544	1,126	—
Over 3 years	—	—	87	1,078
Total	479,888	507,302	794,203	865,161

The Company

	As at 31 December			As at 31 May
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	371,801	154,153	236,553	247,571
1 to 2 years	193	1,078	—	286
2 to 3 years	—	—	1,078	—
Over 3 years	—	—	—	1,078
Total	371,994	155,231	237,631	248,935

Trade payables are non-interest-bearing and are normally settled on 90-day terms.

As at the end of each of the Relevant Periods, the carrying amounts of trade and bills payables approximated to their fair values.

24. OTHER PAYABLES AND ACCRUALS

The Group

	As at 31 December			As at 31 May
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits received	3,274	4,122	3,252	2,467
Payroll and welfare payable	30,583	32,383	36,657	28,952
Other payables	171,899	215,530	214,354	198,341
Government subsidy payable*	200,000	200,000	200,000	200,000
Other tax payables	11,101	4,519	8,469	11,094
Total	416,857	456,554	462,732	440,854

* Government subsidy payable represents the non-recurring subsidy stipulated in investment contracts, the attaching conditions of which are to be fulfilled in the following periods. The expansion of Lynway Ningbo production base in relation to an investment contract with the local government was delayed due to COVID-19 and is expected to commence operation in the first half of 2026.

The Company

	As at 31 December			As at 31 May
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits received	389	272	129	110
Payroll and welfare payable	15,263	11,653	14,219	9,468
Other payables	100,486	52,806	44,098	41,466
Other tax payables	9,346	1,335	527	1,063
Total	125,484	66,066	58,973	52,107

Other payables are unsecured and repayable on demand.

25. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities:

The Group

	As at 1 January	As at 31 December			As at 31 May
	2021	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Advances from customers	915	7,802	13,636	13,995	13,661

The Company

	As at 1 January	As at 31 December			As at 31 May
	2021	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Advances from customers	913	752	491	796	315

The Group receives payments from customers based on billing schedules as established in the contracts. A portion of payments is usually received in advance of the performance under the contracts. The contract liabilities comprise the prepayments received from customers, to whom the goods or services have not yet been transferred or provided. The increase in contract liabilities as at 31 December 2022 and 2023 was mainly due to the increase in advances received from customers in relation to the provision of automotive light development services.

26. DEFERRED INCOME

The Group

	As at 31 December			As at 31 May
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Government grants and subsidies	6,976	9,109	14,296	13,139

The Company

	As at 31 December			As at 31 May
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Government grants and subsidies	6,976	3,952	1,635	1,400

27. INTEREST-BEARING BANK BORROWINGS

The Group

31 December 2021	Effective interest rate (%)	Maturity	RMB'000
Current			
Current portion of long-term bank loans — secured (b).	4.28	2022	15,181
Non-current			
Long-term bank loans — secured (b)	4.28	2023-2025	135,000
Total			150,181

31 December 2022	Effective interest rate (%)	Maturity	RMB'000
Current			
Current portion of long-term bank loans — secured (c).	4.075~4.28	2023	119
Bank loans — secured (e)	3.00	2023	21,017
Bank loans — unsecured.	2.95	2023	4,011
Total — current.			25,147
Non-current			
Long-term bank loans — secured (c).	4.075~4.28	2024-2025	105,000
Total			130,147

31 December 2023	Effective interest rate (%)	Maturity	RMB'000
Current			
Current portion of long-term bank loans — secured (c)	3.875	2024	54
Bank loans — secured (f)	2.95	2024	29,427
Total — current			29,481
Non-current			
Long-term bank loans — secured (c)	3.875	2025	50,472
Total			79,953

31 May 2024	Effective interest rate (%)	Maturity	RMB'000
Current			
Current portion of long-term bank loans — secured (d)	3.875	2025	454
Non-current			
Long-term bank loans — secured (d)	3.3-3.875	2025-2029	62,110
Total			62,564

	As at 31 December			As at 31 May
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed into:				
Bank loans repayable:				
Within one year or on demand	15,181	25,147	29,481	454
In the second year	30,000	52,500	50,472	51,636
In the third year	52,500	52,500	—	1,164
In the fourth to fifth years, inclusive	52,500	—	—	9,310
Total	150,181	130,147	79,953	62,564

(a) The Group's bank loans are all denominated in RMB.

(b) As at 31 December 2021, certain long-term bank loans of RMB150,181,000 were pledged by certain leasehold land amounting to RMB16,623,000.

(c) As at 31 December 2022 and 2023, certain long-term bank loans of RMB105,119,000 and RMB50,526,000 were pledged by certain buildings amounting to RMB219,167,000 and RMB218,985,000, respectively.

(d) As at 31 May 2024, certain long-term bank loans of RMB62,654,000 were pledged by certain buildings and machines amounting to RMB235,901,000.

(e) As at 31 December 2022, certain short-term bank loans of RMB21,017,000 were pledged by certain buildings amounting to RMB10,214,000.

(f) As at 31 December 2023, certain short-term bank loans of RMB29,427,000 were guaranteed by the Company.

The Company

31 December 2022	**Effective interest rate (%)**	**Maturity**	**RMB'000**
Current			
Bank loans — secured (b)	3.00	2023	21,017
Bank loans — unsecured	2.95	2023	4,011
Total — current			25,028

	As at 31 December			**As at 31 May**
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed into:				
Bank loans repayable:				
Within one year or on demand	—	25,028	—	—

Notes:

(a) The Company's bank loans are all denominated in RMB.

(b) As at 31 December 2021, 2022 and 2023 and 31 May 2024, certain short-term bank loans of nil, RMB21,017,000, nil and nil were guaranteed by certain buildings amounting to nil, RMB10,124,000, nil and nil, respectively.

28. SHARE CAPITAL

The Group and the Company

	As at 31 December			As at 31 May
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Issued:				
Ordinary shares of RMB1.00 each. . . .	411,495	411,495	498,507	498,507
Fully paid:				
Ordinary shares of RMB1.00 each. . . .	411,495	411,495	480,078	498,507

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue in thousand shares	Share capital
		RMB'000
At 31 December 2022 and 1 January 2023	411,495	411,495
New issues for acquisition of non-controlling interests *(note 31(a))*	68,583	68,583
New issues for share-based payments (a)	18,429	—
At 31 December 2023	498,507	480,078
At 31 December 2023 and 1 January 2024	498,507	480,078
Contributions from shareholders (a)	—	18,429
At 31 May 2024	498,507	498,507

(a) As at 31 December 2023, 18,429,000 shares were issued for share-based payments, details of which were included in notes 29. As at 18 January 2024, all the 18,429,000 shares issued were fully paid by cash.

29. SHARE-BASED PAYMENTS

On 31 May 2019, the Company granted the Group's employees and directors with restricted shares (the "**Share Incentive Scheme I**"), which are subject to restrictions on transfer, termination and such other limitations set forth in the plans. The relevant portion of restricted shares shall vest on the relevant vesting date, which is determined by the board of directors.

On 4 December 2023, the Company revised the Share Incentive Scheme I in relation to the exercise periods, and established new employee shareholding platforms under the Share Incentive Scheme II and Share Incentive Scheme III. Restricted shares were granted under the Share Incentive Scheme II and Share Incentive Scheme III to the participants as awards. After the grant of the awards, the participants became partners of employee shareholding platforms and are indirectly interested in the incentive shares under the terms and conditions contained in the relevant agreements.

The above shares granted to employees and directors under the Share Incentive Scheme I and Share Incentive Scheme II shall be vested and exercisable after the completion of the public offering of H shares by the Company and the expiration of the corresponding restriction period.

The shares granted to employees under the Share Incentive Scheme III shall be vested and exercisable when the following conditions are met: (i) after the completion of the public offering of H shares by the Company, (ii) the expiration of the corresponding restriction period and (iii) in four equal tranches of 25% over a period of four years based on the annual performance.

The fair value of services received in return for shares granted to employees and directors was measured by reference to the fair value of shares granted and the subscription price paid by employees and directors. The recent transaction price method was used to determine the underlying equity fair value of the Company.

Movements in the number of restricted shares for the Relevant Periods are as follows:

	Year ended 31 December			**Five months ended 31 May**
	2021	**2022**	**2023**	**2024**
	In thousand shares	*In thousand shares*	*In thousand shares*	*In thousand shares*
At beginning of the year/period	14,105	14,105	14,105	32,534
Granted	350	250	18,429	—
Forfeited	(350)	(250)	—	—
At end of the year/period	14,105	14,105	32,534	32,534

Share-based payment expenses during the Relevant Periods and five months ended 31 May 2024 are as follows:

	Year ended 31 December			Five months ended 31 May	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Restricted shares granted by the Company under the plans.	1,669	1,698	3,187	724	3,101

30. OTHER RESERVES

The amounts of the Group's reserves and the movements therein for the Relevant Periods and five months ended 31 May 2024 are presented in the consolidated statements of changes in equity.

(a) Capital reserve

The capital reserve of the Group includes the share premium contributed by the shareholders of the Company.

(b) Statutory surplus reserve

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, the Group is required to appropriate 10% of its net profits after tax, as determined under the Chinese Accounting Standards, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the subsidiaries, the statutory surplus reserve may be used either to offset losses, or to be converted to increase paid-in capital, provided that the balance after such conversion is not less than 25% of the registered capital of the respective entities. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

(c) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of companies of which the functional currencies are not RMB. The reserve is dealt with in accordance with the accounting policy set out in note 2.3.

(d) Special reserve — safety fund

Pursuant to the revised Measures for the Extraction and Use of Enterprise Safety Production Funds issued in November 2022, the Group is required to set aside an amount to maintenance, production and other similar funds. The funds can be used for maintenance of production and improvements of safety and are not available for distribution to shareholders.

31. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the years ended 31 December 2021, 2022, 2023 and five months ended 31 May 2024, the Group had non-cash additions to right-of-use assets and lease liabilities of nil, RMB1,456,000, nil and nil, respectively, in respect of lease arrangements for properties.

On 27 November 2023, the Company entered into an agreement for equity purchase by share issue with Zhejiang Yaoning Technology Group Co., Ltd. ("**Yaoning Technology**") to acquire a 49% equity interest in Lynway Vision in consideration of the Company's issue and allotment of 68,582,573 shares to Yaoning Technology. On 4 December 2023, the Company and Yaoning Technology completed the equity transfer, and Lynway Vision became wholly owned by the Company.

(b) Changes in liabilities arising from financing activities

	Bank loans	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2021	29,206	—	29,206
Additions	252,025	—	252,025
Payment	(130,953)	—	(130,953)
Exchange rate adjustment	(241)	—	(241)
Interest paid	(4,852)	—	(4,852)
Interest capitalised *(note 7)*	2,179	—	2,179
Interest expense *(note 7)*	2,817	—	2,817
At 31 December 2021	150,181	—	150,181
At 1 January 2022	150,181	—	150,181
Additions	43,905	1,456	45,361
Payment	(65,646)	(303)	(65,949)
Exchange rate adjustment	1,742	—	1,742
Interest paid	(6,453)	—	(6,453)
Interest expense *(note 7)*	6,418	27	6,445
At 31 December 2022	130,147	1,180	131,327
At 1 January 2023	130,147	1,180	131,327
Additions	29,400	—	29,400
Payment	(79,526)	(330)	(79,856)
Interest paid	(4,846)	—	(4,846)
Interest expense *(note 7)*	4,778	60	4,838
At 31 December 2023	79,953	910	80,863
At 1 January 2023	130,147	1,180	131,327
Additions (unaudited)	29,400	—	29,400
Payment (unaudited)	(24,500)	—	(24,500)
Interest paid (unaudited)	(1,435)	—	(1,435)
Interest expense *(note 7)* (unaudited)	2,161	27	2,188
At 31 May 2023 (unaudited)	135,773	1,207	136,980
At 1 January 2024	79,953	910	80,863
Additions	11,637	—	11,637
Payment	(29,400)	—	(29,400)
Interest paid	(878)	—	(878)
Interest expense *(note 7)*	1,252	20	1,272
At 31 May 2024	62,564	930	63,494

(c) Total cash outflow for leases

	Year ended 31 December			Five months ended 31 May	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Within operating activities	518	366	427	73	166
Within financing activities	—	357	420	—	—
Total	518	723	847	73	166

32. BUSINESS COMBINATION

On 29 September 2021, the Company subscribed for an additional RMB4,100,000 registered capital of Lynway Vision, which is mainly engaged in arrangements for the sale of automotive intelligent vision products. After the subscription, the Company held approximately 51% of Lynway Vision's equity, and the Company was able to exercise control over Lynway Vision on 30 September 2021 (the "**Acquisition Date**"). The acquisition was made as part of the Group's strategy to expand its market share of automotive intelligent vision products.

The Group has elected to measure the non-controlling interest in Lynway Vision at the non-controlling interest's proportionate share of Lynway Vision's identifiable net assets.

The fair values of the identifiable assets and liabilities of Lynway Vision as at the Acquisition Date were as follows:

	Fair value recognised on acquisition
	RMB'000
Property, plant and equipment	235,959
Right-of-use assets	55,920
Other intangible assets	15,523
Inventories	21,436
Trade and bills receivables	17,071
Prepayments, other receivables and other assets	5,082
Financial assets at fair value through profit or loss	86,300
Pledged deposits	16,761
Cash and cash equivalents	2,781
Trade and bills payables	(66,362)
Other payables and accruals	(239,637)
Contract liabilities	(2,746)
Deferred tax assets	3,570
Deferred tax liabilities	(8,404)
Total identifiable net assets at fair value	143,254
Non-controlling interests	(70,182)
Goodwill on acquisition	13,523
Satisfied by cash and equity investment	86,595

The fair values of the trade and bill receivables, and prepayment, other receivables and other assets as at the date of acquisition amounted to RMB17,071,000 and RMB5,082,000, respectively. The gross contractual amounts of trade and bill receivables, and prepayment, other receivables and others were RMB17,071,000 and RMB5,082,000, respectively, and are expected to be collectible.

An analysis of the cash flows in respect of the acquisition is as follows:

	RMB'000
Cash consideration	(16,400)
Cash and cash equivalents acquired	2,781
Net outflow of cash and cash equivalents included in cash flows from investing activities	(13,619)
	(13,619)

Since the acquisition, Lynway Vision contributed RMB50,732,000 to the Group's revenue and caused a loss of RMB15,413,000 to the consolidated profit for the year ended 31 December 2021. Had the combination taken place at the beginning of 2021, the revenue of the Group and the profit of the Group for 2021 would have been RMB1,440,392,000 and RMB30,492,000, respectively.

Refer to Accountants' Report of Lynway Vision in Appendix IB for additional information of Lynway Vision for the pre-acquisition period.

33. PLEDGE OF ASSETS

Details of the Group's assets pledged are included in notes 13, 14, 19 and 22 to the Historical Financial Information at the end of each of the Relevant Periods.

34. COMMITMENTS

The Group had the following contractual commitments at the end of each of the Relevant Periods:

	As at 31 December			**As at 31 May**
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Construction in progress	34,273	85,906	40,117	98,834

35. PARTLY OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiary that has material non-controlling interests are set out below:

	As at 31 December			As at 31 May
	2021	**2022**	**2023**	**2024**
Percentage of equity interest held by non-controlling interests:				
Lynway Vision *(Note i)*	49%	49%	—	—

(i) On 27 November 2023, the Company entered into an agreement for equity purchase by share issue with Yaoning Technology to acquire a 49% equity interest in Lynway Vision in consideration of the Company's issue and allotment of 68,582,573 shares to Yaoning Technology. On 4 December 2023, the Company and Yaoning Technology completed the equity transfer, and Lynway Vision became wholly owned by the Company.

	Period from 30 September to 31 December	Year ended 31 December		Five months ended 31 May
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
(Loss)/Profit for the year/period allocated to non-controlling interests:				
Lynway Vision	(7,896)	(1,720)	5,665	—
Accumulated balances of non-controlling interests at the reporting date:				
Lynway Vision	62,286	60,566	—	—

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

	Period from 30 September to 31 December 2021	Year ended 31 December 2022	Period from 1 January to 4 December 2023
	RMB'000	*RMB'000*	*RMB'000*
Revenue	50,732	351,792	639,324
Total expenses	(66,145)	(353,049)	(625,258)
(Loss)/profit for the year	(15,413)	(1,257)	14,066
Total comprehensive (loss)/income for the year	(15,413)	(1,257)	14,066
Current assets	180,484	372,977	550,111
Non-current assets	279,655	348,124	401,468
Current liabilities	(361,075)	(615,266)	(825,283)
Non-current liabilities	(5)	(8,033)	(14,427)
Net cash flows from operating activities	501	65,489	192,935
Net cash flows from/(used in) investing activities	19,645	(76,442)	(159,301)
Net cash flows used in financing activities	—	(330)	(360)
Net increase/(decrease) in cash and cash equivalents	20,146	(11,283)	33,274

36. RELATED PARTY TRANSACTIONS

(a) Names and relationships

Name of related parties	Relationship with the Group
Epistar Corporation	Shareholder of the Company with more than 5% of indirect shareholding
Zhejiang Yaoning Technology Group Co., Ltd.	Non-controlling shareholder of a subsidiary of the Company

Name of related parties	Relationship with the Group
Yenrich Technology Corp.	Controlled by the ultimate controlling shareholders of Epistar Corporation
Lextar Electronics (Chuzhou) Corp.	Controlled by the ultimate controlling shareholders of Epistar Corporation
Sichuan Lingji Automobile Manufacturing Co., Ltd.	Subsidiary of Geely Related Group
Zhejiang Jichuang Auto Parts Co., Ltd.	Subsidiary of Geely Related Group
Yuyao LYNK&CO Automobile Parts Co., Ltd.	Subsidiary of Geely Related Group
Ningbo Geely Automobile Research & Development Co., Ltd.	Subsidiary of Geely Related Group
Geely Automobile Research Institute (Ningbo) Co., Ltd.	Subsidiary of Geely Related Group
Wuhan Lotus Cars Co., Ltd.	Subsidiary of Geely Related Group
SCI Seating (Ningbo) Co., Ltd.	Subsidiary of Geely Related Group
Zhejiang Geely Business Service Company Limited	Subsidiary of Geely Related Group
Shanghai Global Trading Corporation	Subsidiary of Geely Related Group
Geely Auto Group Co., Ltd.	Subsidiary of Geely Related Group
ZEEKR Automobile (Hangzhou Bay New District, Ningbo) Co., Ltd.	Subsidiary of Geely Related Group
Smart Automobile Co., Ltd.	Affiliate of Geely Related Group
Lynk&Co Automobile Sales Co., Ltd.	Subsidiary of Geely Related Group
Zhejiang Jichuang Industry Development Co., Ltd.	Subsidiary of Geely Related Group
Shenzhen Epiklyn Co., Ltd.	Subsidiary of Epistar Corporation
Zhejiang Geely Automobile Parts & Components Stock Co., Ltd.	Subsidiary of Geely Related Group
Zhejiang Jizhi New Energy Automotive Technology Co., Ltd.	Subsidiary of Geely Related Group
Chongqing LIVAN Auto Research Institute Co., Ltd.	Affiliate of Geely Related Group
Guangdong AscenPower Semiconductor Co., Ltd.	Controlled by the ultimate controlling person of the Company
Guangdong AccoPower Semiconductor Co., Ltd.	Controlled by the ultimate controlling person of the Company
Ningbo Jining Auto Parts Co., Ltd.	Subsidiary of Geely Related Group
Sichuan LYNK&CO Automobile Manufacturing Co., Ltd.	Subsidiary of Geely Related Group
LYNK&CO Investment Co., Ltd.	Subsidiary of Geely Related Group
Qizheng New Energy Automobile (Jinan) Co., Ltd.	Subsidiary of Geely Related Group
Zhejiang Jirun Meishan Auto Parts Co., Ltd.	Subsidiary of Geely Related Group
Smart Automobile Sales (Nanning) Co., Ltd.	Affiliate of Geely Related Group
Xi'an Geely Automobile Co., Ltd.	Subsidiary of Geely Related Group
Ningbo Jirun Auto Parts Co., Ltd.	Subsidiary of Geely Related Group

Name of related parties	Relationship with the Group
CHINA-EURO VEHICLE TECHNOLOGY	Subsidiary of Geely Related Group
Chongqing Livan Automotive Manufacturing Company Limited	Subsidiary of Geely Related Group
Ningbo Hangzhou Bay Geely Auto Parts Co., Ltd.	Subsidiary of Geely Related Group
ZEEKR Intelligent Technology Holding Limited	Subsidiary of Geely Related Group
Zhejiang ZEEKR Automobile Research & Development Co., Ltd	Subsidiary of Geely Related Group
Wuhan Geely Auto Parts Co., Ltd.	Subsidiary of Geely Related Group

(b) The Group had the following transactions with related parties during the Relevant Periods:

	As at 31 December			Five months ended 31 May	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue from goods and services *(note i)*					
Geely Related Group	50,600	350,129	705,774	211,389	326,739
Lextar Electronics (Chuzhou) Corp.	7,174	9,070	48,874	16,330	25,638
Yenrich Technology Corp.	88	20	—	—	—
Lynway Vision *(note ii)*	153	—	—	—	—
	58,015	359,219	754,648	227,719	352,377
Purchase of goods and services *(note iii)*					
Geely Related Group	3,378	3,633	3,787	1,187	2,078
Epistar Corporation	300,432	140,407	138,657	38,851	48,958
	303,180	144,040	142,444	40,038	51,036
Rental income *(note iv)*					
Guangdong AscenPower Semiconductor Co., Ltd	—	1,445	1,257	813	276
Guangdong AccoPower Semiconductor Co., Ltd	391	—	—	—	—
	391	1,445	1,257	813	276

(i) The sales to the related parties were made according to the published prices and conditions offered to the major customers of the Group. The credit terms granted to the related parties were generally in line with the credit terms granted to other customers.

(ii) Lynway Vision was acquired by the Group on 30 September 2021 and the amount of it's revenue was from January to September 2021.

(iii) The purchases from the related parties were made according to the published prices and conditions offered by the related parties to their major customers. The credit terms granted by the related parties were generally in line with the credit terms granted to their major customers.

(iv) The rental fees with the related parties were made according to the agreed prices.

(c) Outstanding balances with related parties as at 31 December 2021, 2022 and 2023 and 31 May 2024:

	As at 31 December			As at 31 May
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables				
Yenrich Technology Corp.	34	—	—	—
Lextar Electronics (Chuzhou) Corp.	1,806	1,409	10,836	4,282
Lynway Vision	148	—	—	—
Geely Related Group	43,853	163,193	216,977	229,766
Impairment	(917)	(3,292)	(4,556)	(4,681)
	44,924	161,310	223,257	229,367
Prepayments, deposits and other receivables				
Geely Related Group	29	—	—	—
Trade payables				
Epistar Corporation	112,079	36,616	55,786	48,213
Geely Related Group	1,311	1,704	1,173	—
	113,390	38,320	56,959	48,213
Other payables and accruals				
Geely Related Group	234	52	95	3,128
Contract liabilities				
Geely Related Group	7,050	12,189	11,820	11,820

As at 31 December 2021, 2022 and 2023 and 31 May 2024, all the remaining balances with related parties are trade in nature.

(d) Compensation of key management personnel of the Group:

	Year ended 31 December			Five months ended 31 May	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Short term employee benefits. .	7,218	7,396	8,896	2,939	3,189
Share-based payment expenses.	1,033	1,063	2,029	846	1,363
	8,251	8,459	10,925	3,785	4,552

Further details of directors' and the chief executive's emoluments are included in note 8 to the Historical Financial Information.

The related party transactions in respect of Geely Group above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments at the end of each of the Relevant Periods were as follows:

As at 31 December 2021

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	111,341	—	—	111,341
Trade and bills receivables	—	19,126	489,859	508,985
Financial assets included in prepayments, other receivables and other assets	—	—	2,652	2,652
Pledged deposits	—	—	67,270	67,270
Cash and cash equivalents	—	—	96,778	96,778
Total	111,341	19,126	656,559	787,026

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade and bills payables	479,888
Financial liabilities included in other payables and accruals	371,711
Interest-bearing bank borrowings	150,181
Total	1,001,780

As at 31 December 2022

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	98,299	—	—	98,299
Trade and bills receivables	—	9,333	573,838	583,171
Financial assets included in prepayments, other receivables and other assets	—	—	489	489
Pledged deposits	—	—	45,702	45,702
Cash and cash equivalents	—	—	108,231	108,231
Total	98,299	9,333	728,260	835,892

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade and bills payables	507,302
Financial liabilities included in other payables and accruals	415,159
Interest-bearing bank borrowings	130,147
Total	1,052,608

As at 31 December 2023

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	187,479	—	—	187,479
Trade and bills receivables	—	2,925	666,534	669,459
Financial assets included in prepayments, other receivables and other assets	—	—	1,094	1,094
Pledged deposits	—	—	67,041	67,041
Cash and cash equivalents	—	—	209,878	209,878
Total	187,479	2,925	944,547	1,134,951

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade and bills payables	794,203
Financial liabilities included in other payables and accruals	416,421
Interest-bearing bank borrowings	79,953
Total	1,290,577

As at 31 May 2024

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	116,859	—	—	116,859
Trade and bills receivables	—	9,763	747,607	757,370
Financial assets included in prepayments, other receivables and other assets	—	—	1,324	1,324
Pledged deposits	—	—	64,291	64,291
Cash and cash equivalents	—	—	280,085	280,085
	116,859	9,763	1,093,307	1,219,929

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade and bills payables	865,161
Financial liabilities included in other payables and accruals	399,226
Interest-bearing bank borrowings	62,564
	1,326,951

Transfers of financial assets

Transferred financial assets that are not derecognised in their entirety

At 31 December 2021, 2022 and 2023 and 31 May 2024, the Group endorsed certain bills receivable in Chinese Mainland (the "**Endorsed Bills**") with a carrying amount of RMB84,205,000, RMB110,836,000, RMB75,351,000 and RMB84,707,000, respectively, to certain of its suppliers in order to settle the trade payables due to such suppliers (the "**Endorsement**"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties.

Transferred financial assets that are derecognised in their entirety

At 31 December 2021, 2022 and 2023 and 31 May 2024, the Group, endorsed certain bills receivable accepted by banks in Chinese Mainland (the "**Derecognised Bills**") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB35,253,000, RMB84,788,000, RMB170,569,000 and RMB151,443,000. The Derecognised Bills had a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills may exercise the right of recourse against any, several or all of the persons liable for the Derecognised Bills, including the Group, in disregard of the order of precedence (the "**Continuing Involvement**"). In the opinion of the directors, the risk of the Group being claimed by the holders of the Derecognised Bills is remote in the absence of a default of the accepted banks. The Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the year ended 31 December 2021 and 2023 and five months ended 31 May 2024, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year. During the year ended 31 December 2022, the Group has recognised the loss RMB79,000 on the date of transfer of the Derecognised Bills.

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, trade and bills receivables, financial assets included in other receivables, pledged deposits and other assets, interest-bearing bank borrowings (current portion), trade and bills payables, and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance team headed by the chief finance controller/his or her designator is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance team reports directly to the finance head. At each reporting date, the finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the finance head.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The carrying amounts and fair values of the Group's financial instruments are as follows:

As at 31 December 2021

	Carrying amounts	Fair values
	RMB'000	*RMB'000*
Financial assets		
Financial assets at FVTPL	111,341	111,341
Financial liabilities		
Interest-bearing bank borrowings	150,181	148,667

As at 31 December 2022

	Carrying amounts	Fair values
	RMB'000	*RMB'000*
Financial assets		
Financial assets at FVTPL	98,299	98,299
Financial liabilities		
Interest-bearing bank borrowings	105,119	104,903

As at 31 December 2023

	Carrying amounts	Fair values
	RMB'000	*RMB'000*
Financial assets		
Financial assets at FVTPL	187,479	187,479
Financial liabilities		
Interest-bearing bank borrowings	50,526	50,179

As at 31 May 2024

	Carrying amounts	Fair values
	RMB'000	*RMB'000*
Financial assets		
Financial assets at FVTPL	116,859	116,859
Financial liabilities		
Interest-bearing bank borrowings	62,564	61,642

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments.

Assets measured at fair value

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	—	111,341	—	111,341
Trade and bills receivables	—	19,126	—	19,126
Total	—	130,467	—	130,467

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	—	98,299	—	98,299
Trade and bills receivables	—	9,333	—	9,333
Total	—	107,632	—	107,632

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	—	187,479	—	187,479
Trade and bills receivables	—	2,925	—	2,925
Total	—	190,404	—	190,404

As at 31 May 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	—	116,859	—	116,859
Trade and bills receivables	—	9,763	—	9,763
	—	126,622	—	126,622

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank loans, finance assets at FVTPL and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units and investing and financing activities by investment holding units in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in the foreign exchange rates, with all other variables held constant, of the Group's profit before tax.

	Increase/ (decrease) in foreign currency rate	**Increase/ (decrease) in profit before tax**
	%	*RMB'000*
As at 31 May 2024		
If the RMB weakens against the USD	5	4,554
If the RMB strengthens against the USD	(5)	(4,554)
As at 31 December 2023		
If the RMB weakens against the USD	5	2,760
If the RMB strengthens against the USD	(5)	(2,760)
As at 31 December 2022		
If the RMB weakens against the USD	5	3,701
If the RMB strengthens against the USD	(5)	(3,701)
As at 31 December 2021		
If the RMB weakens against the USD	5	853
If the RMB strengthens against the USD	(5)	(853)

Credit risk

An impairment analysis was performed at end of each of the Relevant Periods using a provision matrix to measure expected credit losses. The provision rates are based on ageing for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on ageing information unless other information is available without undue cost or effort, and year-end staging classification as at the end of each of the Relevant Periods. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables	—	—	—	508,985	508,985
Financial assets included in prepayments, other receivables and other assets	2,652	—	—	—	2,652
Pledged deposits	67,270	—	—	—	67,270
Cash and cash equivalents	96,778	—	—	—	96,778
Total	166,700	—	—	508,985	675,685

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables	—	—	—	583,171	583,171
Financial assets included in prepayments, other receivables and other assets	489	—	—	—	489
Pledged deposits	45,702	—	—	—	45,702
Cash and cash equivalents	108,231	—	—	—	108,231
Total	154,422	—	—	583,171	737,593

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables	—	—	—	669,459	669,459
Financial assets included in prepayments, other receivables and other assets	840	—	254	—	1,094
Pledged deposits	67,041	—	—	—	67,041
Cash and cash equivalents	209,878	—	—	—	209,878
Total	277,759	—	254	669,459	947,472

As at 31 May 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables	—	—	—	757,370	757,370
Financial assets included in prepayments, other receivables and other assets	1,070	—	254	—	1,324
Pledged deposits	64,291	—	—	—	64,291
Cash and cash equivalents	280,085	—	—	—	280,085
Total	345,446	—	254	757,370	1,103,070

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade and bills receivables) and projected cash flows from operations.

The maturity profile of the Group's financial liabilities and lease liabilities as at end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

As at 31 December 2021

	Less than 1 year	1 to 3 years	Over 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank borrowings	21,408	91,743	54,093	167,244
Trade and bills payables	479,888	—	—	479,888
Other payables and accruals	371,711	—	—	371,711
Total	873,007	91,743	54,093	1,018,843

As at 31 December 2022

	Less than 1 year	1 to 3 years	Over 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank borrowings	30,300	110,437	—	140,737
Lease liabilities	330	661	330	1,321
Trade and bills payables	507,302	—	—	507,302
Other payables and accruals	415,159	—	—	415,159
Total	953,091	111,098	330	1,064,519

As at 31 December 2023

	Less than 1 year	1 to 3 years	Over 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank borrowings	31,624	51,840	—	83,464
Lease liabilities	330	661	—	991
Trade and bills payables	794,203	—	—	794,203
Other payables and accruals	416,421	—	—	416,421
Total	1,242,578	52,501	—	1,295,079

As at 31 May 2024

	Less than 1 year	1 to 3 years	Over 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank borrowings	2,794	53,451	10,467	66,712
Lease liabilities	330	661	—	991
Trade and bills payables	865,161	—	—	865,161
Other payables and accruals	399,226	—	—	399,226
Total	1,267,511	54,112	10,467	1,332,090

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit profile and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year.

The Group monitors capital using the debt-to-asset ratio, which is total liabilities divided by total assets. The debt-to-asset ratios as at the end of each of the Relevant Periods were as follows:

	As at 31 December			As at 31 May
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total liabilities	1,069,997	1,126,587	1,373,794	1,404,806
Total assets	1,979,856	2,077,669	2,400,157	2,509,587
Debt-to-asset ratio	54%	54%	57%	56%

40. EVENTS AFTER THE RELEVANT PERIODS

There were no significant events after the end of the Relevant Periods that require additional disclosure or adjustments.

41. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 May 2024.

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

ACCOUNTANTS' REPORT ON LYNWAY VISION HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF APT ELECTRONICS CO., LTD. AND CITIC SECURITIES (HONG KONG) LIMITED

Introduction

We report on the historical financial information of Lynway Vision Technology (Ningbo) Co., Ltd. ("**Lynway Vision**") set out on pages IB-4 to IB-41, which comprises the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of Lynway Vision for the nine months ended 30 September 2021 (the "**Pre-acquisition Period**"), and the statement of financial position of Lynway Vision as at 30 September 2021, and material accounting policy information and other explanatory information (together, the "**Lynway Vision Historical Financial Information**"). The Lynway Vision Historical Financial Information set out on pages IB-4 to IB-41 forms an integral part of this report, which has been prepared for inclusion in the prospectus of APT Electronics Co., Ltd. (the "**Company**") dated 31 October 2024 (the "**Prospectus**") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Directors' responsibility for the Lynway Vision Historical Financial Information

The directors of Lynway Vision are responsible for the preparation of the Lynway Vision Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Lynway Vision Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Lynway Vision Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Lynway Vision Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Lynway Vision Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Lynway Vision Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Lynway Vision Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Lynway Vision Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Lynway Vision Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Lynway Vision Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Lynway Vision Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of Lynway Vision as at 30 September 2021 and of the financial performance and cash flows of Lynway Vision for the Pre-acquisition Period in accordance with the basis of preparation set out in note 2.1 to the Lynway Vision Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Lynway Vision Historical Financial Information, no adjustments to the Lynway Vision Underlying Financial Statements as defined on page IB-4 have been made.

Dividends

No dividends have been paid by Lynway Vision in respect of the Pre-acquisition Period.

Certified Public Accountants
Hong Kong
31 October 2024

I LYNWAY VISION HISTORICAL FINANCIAL INFORMATION

Preparation of Lynway Vision Historical Financial Information

Set out below is the Lynway Vision Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of Lynway Vision for the Pre-acquisition Period, on which the Lynway Vision Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA (the "**Lynway Vision Underlying Financial Statements**").

The Lynway Vision Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Nine months ended 30 September
		2021
	Notes	*RMB'000*
REVENUE	*4*	52,160
Cost of sales		(65,957)
Gross loss		(13,797)
Other income and gains	*4*	2,153
Selling and marketing expenses		(2,894)
Administrative expenses		(12,873)
Research and development costs		(15,486)
Other expenses		(4,671)
Finance costs		(1)
LOSS BEFORE TAX	*5*	(47,569)
Income tax credit	*6*	61
LOSS FOR THE PERIOD		(47,508)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(47,508)

STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 September 2021 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	7	230,339
Right-of-use assets	8	38,283
Other intangible assets	9	5,165
Total non-current assets		273,787
CURRENT ASSETS		
Inventories	10	21,436
Trade receivables	11	17,071
Prepayments, other receivables and other assets	12	5,082
Financial assets at fair value through profit or loss	13	86,300
Pledged deposits	14	16,761
Cash and cash equivalents	14	2,781
Total current assets		149,431
CURRENT LIABILITIES		
Trade payables	15	66,362
Other payables and accruals	16	239,637
Contract liabilities	17	2,746
Total current liabilities		308,745
NET CURRENT LIABILITIES		(159,314)
TOTAL ASSETS LESS CURRENT LIABILITIES		114,473
Net assets		114,473
EQUITY		
Equity attributable to owners of the parent		
Share capital	18	104,100
Other reserves	19	10,373
Total equity		114,473

STATEMENT OF CHANGES IN EQUITY

	Share capital	Capital reserve*	Accumulated losses*	Total equity
	RMB'000	*RMB'000* *(note 19)*	*RMB'000*	*RMB'000*
As at 1 January 2021	100,000	100,000	(54,419)	145,581
Loss for the year	—	—	(47,508)	(47,508)
Total comprehensive loss for the year	—	—	(47,508)	(47,508)
Capital contribution by shareholders	4,100	12,300	—	16,400
As at 30 September 2021	104,100	112,300	(101,927)	114,473

* These reserve accounts comprise the other reserves of RMB10,373,000 in the statement of financial position as at 30 September 2021.

STATEMENT OF CASH FLOWS

	Notes	Nine months ended 30 September 2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax		(47,569)
Adjustments for:		
Finance costs		1
Interest income	*4*	(567)
Depreciation of property, plant and equipment	*7*	11,689
Amortisation of intangible assets	*9*	355
Depreciation of right-of-use assets	*8*	609
Net loss on disposal of items of property, plant and equipment		5
Fair value loss on financial assets at FVTPL	*5*	407
Write-down of inventories to net realisable value	*5*	4,317
Investment income from financial assets at FVTPL	*5*	(1,925)
Impairment loss, net of reversal – financial assets under the ECL model	*5*	348
Increase in inventories		(17,815)
Increase in trade receivables		(17,420)
Decrease in prepayments, other receivables and other assets		122
Increase in trade payables		36,224
Decrease in other payables and accruals		(1,058)
Increase in contract liabilities		2,746
Cash generated from operations		
Interest received		567
Income taxes paid		—
Net cash flows used in operating activities		(28,964)

	Notes	Nine months ended 30 September 2021
		RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of items of property, plant and equipment		8
Proceeds from disposal of financial assets at FVTPL		576,600
Purchases of financial assets at FVTPL		(518,400)
Purchases of items of property, plant and equipment		(46,476)
Purchases of intangible assets		(5,385)
Increase in pledged deposits		(4,805)
Investment income from financial assets at FVTPL		1,925
Net cash flows from investing activities		3,467
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank borrowings		469
Repayment of bank borrowings		(469)
Interest paid		(1)
Capital contribution from shareholders		16,400
Net cash flows from financing activities		16,399
NET DECREASE IN CASH AND CASH EQUIVALENTS		(9,098)
Cash and cash equivalents at beginning of period		11,879
CASH AND CASH EQUIVALENTS AT END OF PERIOD		2,781

II NOTES TO THE LYNWAY VISION HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Lynway Vision was established with limited liability in the PRC on 26 October 2018. The registered office of Lynway Vision is located at Ninghai County, Ningbo, Zhejiang Province, China. Lynway Vision is primarily engaged in the design, R&D, production and sales of intelligent automotive vision products.

Pursuant to the capital increase agreement dated 27 January 2021, signed by the Company, Zhejiang Yaoning Technology Group Co., Ltd. ("**Yaoning Technology**") and Lynway Vision, the Company subscribed for an additional RMB4.1 million registered capital of Lynway Vision at a consideration of RMB16.4 million. Upon completion of the capital subscription, the Company's shareholding in the Lynway Vision increased from 49% to 51%. The Company paid the capital subscription amount of RMB16.4 million on 29 September 2021 and completed the corresponding industrial and commercial change procedures. The Company was able to exercise control over Lynway Vision on 30 September 2021.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The Lynway Vision Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), which comprise all standards and interpretations approved by the International Accounting Standards Board ("**IASB**"). All IFRSs effective for the accounting period commencing from 1 January 2024, together with the relevant transitional provisions, have been early adopted by Lynway Vision in the preparation of the Lynway Vision Historical Financial Information throughout the Pre-acquisition Period.

The Lynway Vision Historical Financial Information has been prepared under the historical cost convention, except for certain financial assets which have been measured at fair value through profit or loss.

2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

Lynway Vision has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Lynway Vision Historical Financial Information. Lynway Vision intends to apply these revised and new IFRSs, if applicable, when they become effective.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to IAS 21	*Lack of Exchangeability*[2]
Amendments to IFRS 9 and IFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*[3]
IFRS 18	*Presentation and Disclosure in Financial Statements*[4]
IFRS 19	*Subsidiaries without Public Accountability: Disclosures*[4]

Notes:

1 No mandatory effective date yet determined but available for adoption
2 Effective for annual periods beginning on or after 1 January 2025
3 Effective for annual periods beginning on or after 1 January 2026
4 Effective for annual periods beginning on or after 1 January 2027

Lynway Vision is in the process of making a detailed assessment of the impact of these revised IFRSs upon initial application. So far, Lynway Vision considers that these revised IFRSs may result in changes in certain accounting policies and are unlikely to have a significant impact on the Lynway Vision's financial performance and financial position.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION

Fair value measurement

Lynway Vision measures its financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by Lynway Vision. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Lynway Vision uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Lynway Vision Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Lynway Vision Historical Financial Information on a recurring basis, Lynway Vision determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Related parties

A party is considered to be related to Lynway Vision if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over Lynway Vision;

(ii) has significant influence over Lynway Vision; or

(iii) is a member of the key management personnel of Lynway Vision or of a parent of Lynway Vision;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and Lynway Vision are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and Lynway Vision are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either Lynway Vision or an entity related to Lynway Vision;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to Lynway Vision or to the parent of Lynway Vision.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, Lynway Vision recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	4.75%
Machinery and others	9.50% to 31.67%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for intangible assets with a finite useful life are reviewed at least at each financial year end.

Intangible assets are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives. The principal estimated useful lives of intangible assets are as follows:

Categories	Estimated useful lives
Software	10 years

The estimated useful lives of intangible assets are determined by considering the period of the economic benefits to Lynway Vision or the periods of validity of intangible assets protected by the relevant laws, as well as by referring to the industry practice.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when Lynway Vision can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

Lynway Vision assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Lynway Vision as a lessee

Lynway Vision applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. Lynway Vision recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	50 years

If ownership of the leased asset transfers to Lynway Vision by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and Lynway Vision's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which Lynway Vision has applied the practical expedient of not adjusting the effect of a significant financing component, Lynway Vision initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which Lynway Vision has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Lynway Vision's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that Lynway Vision commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from Lynway Vision's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- Lynway Vision has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) Lynway Vision has transferred substantially all the risks and rewards of the asset, or (b) Lynway Vision has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When Lynway Vision has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, Lynway Vision continues to recognise the transferred asset to the extent of its continuing involvement. In that case, Lynway Vision also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that Lynway Vision has retained.

Impairment of financial assets

Lynway Vision recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss ("**FVTPL**"). ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that Lynway Vision expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, Lynway Vision assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, Lynway Vision compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

Lynway Vision considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, Lynway Vision may also consider a financial asset to be in default when internal or external information indicates that Lynway Vision is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by Lynway Vision.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when Lynway Vision applies the practical expedient of not adjusting the effect of a significant financing component, Lynway Vision applies the simplified approach in calculating ECLs. Under the simplified approach, Lynway Vision does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. Lynway Vision has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Lynway Vision's financial liabilities include trade payables, other payables and accruals.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost basis and, in the case of finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal. The amount of write-down of inventories to net realisable value and all losses of inventories are recognised as other expenses in the period the write-down or loss occurs.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above and form an integral part of Lynway Vision's cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Lynway Vision provides for warranties in relation to the sale of intelligent vision products and systems. Provisions for these assurance-type warranties granted by Lynway Vision are initially recognised based on sales volume and past experience of the level of repairs and returns. The warranty-related cost is revised annually.

Income tax

Income tax comprises current tax and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period, taking into consideration interpretations and practices prevailing in the countries in which Lynway Vision operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which Lynway Vision expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which Lynway Vision will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Sale of intelligent vision products and systems

Revenue from the sale of intelligent vision products and systems is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products and systems.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before Lynway Vision transfers the related services. Contract liabilities are recognised as revenue when Lynway Vision performs under the contract (i.e., transfers control of the related services to the customer).

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Employee benefits

Pension scheme

The employees of Lynway Vision's subsidiaries which operate in Chinese Mainland are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain proportion of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Housing fund — Chinese Mainland

Lynway Vision contributes on a monthly basis to a defined contribution housing fund plan operated by the local municipal government. Contributions to this plan by Lynway Vision are expensed as incurred.

3. MATERIAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of Lynway Vision Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade receivables

Lynway Vision uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on Lynway Vision's historical observed default rates. Lynway Vision will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. Lynway Vision's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on Lynway Vision's trade receivables is disclosed in note 11 to the Lynway Vision Historical Financial Information.

Write-down of inventories to net realisable value

Lynway Vision reviews the carrying amounts of the inventories at the end of the Pre-acquisition Period to determine whether the inventories are carried at the lower of cost and net realisable value. The net realisable value is estimated based on the current market situation and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories written down or the related reversals of write-down and affect Lynway Vision's financial position.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Nine months ended 30 September
	2021
	RMB'000
Revenue from contracts with customers	52,160

Revenue from contracts with customers

(a) Disaggregated revenue information

	Nine months ended 30 September 2021
	RMB'000
Type of goods	
Automotive intelligent vision	52,160
Geographical market	
Chinese Mainland	52,160
Timing of revenue recognition	
Products transferred at a point in time	52,160

(b) Performance obligations

Information about Lynway Vision's performance obligations is summarised below:

Sale of intelligent vision products and systems

The performance obligation is satisfied upon delivery of the intelligent vision products and systems, and payment is generally due within 60 to 120 days from delivery, except for new customers and intelligent automotive vision development services, where payment in advance is normally required.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) for the Pre-acquisition Period are as follows:

	As at 30 September 2021
	RMB'000
Amounts expected to be recognised as revenue:	
Within one year	46
After one year	2,700
Total	2,746

An analysis of other income and gains is as follows:

	Nine months ended 30 September 2021
	RMB'000
Other income	
Interest income	567
Government grants and others	68
Total other income	635
Gains	
Investment income and fair value change from financial assets at FVTPL	1,518
Total other income and gains	2,153

5. LOSS BEFORE TAX

		Nine months ended 30 September
		2021
	Notes	*RMB'000*
Cost of inventories sold		65,957
Depreciation of property, plant and equipment	*7*	11,689
Depreciation of right-of-use assets	*8*	609
Amortisation of intangible assets	*9*	355
Research and development costs		15,486
Employee benefit expenses:		
Wages, salaries and other allowances		31,764
Pension scheme contributions and social welfare		3,493
Total		35,257
Impairment losses on financial assets, net		348
Write-down of inventories to net realisable value		4,317
Investment income from financial assets at FVTPL		(1,925)
Fair value loss on financial assets at FVTPL		407

6. INCOME TAX

The income tax expense of Lynway Vision for the nine months ended 30 September 2021 is analysed as follows:

	Nine months ended 30 September
	2021
	RMB'000
Deferred income tax	(61)

The taxation on the Lynway Vision's profit before taxation differs from the theoretical amount that would arise using the taxation rate of Chinese Mainland as follows:

	Nine months ended 30 September
	2021
	RMB'000
Loss before tax	(47,569)
Tax at the statutory tax rate	(11,892)
Effect of different tax rate	41
Expenses not deductible for tax	34
Additional deductible allowance for qualified research and development costs	(1,879)
Deductible temporary differences in unrecognised deferred tax assets	1,207
Tax losses on unrecognised deferred tax assets	12,428
Tax credit at the Lynway Vision's effective tax rate	(61)

7. PROPERTY, PLANT AND EQUIPMENT

30 September 2021	Buildings	Machinery and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021:				
Cost	15,950	61,057	135,615	212,622
Accumulated depreciation	(94)	(1,952)	—	(2,046)
Net carrying amount	15,856	59,105	135,615	210,576
At 1 January 2021, net of accumulated depreciation	15,856	59,105	135,615	210,576
Additions	2,687	1,940	26,838	31,465
Disposals	—	(13)	—	(13)
Transfers	114,759	33,343	(148,102)	—
Depreciation provided during the period *(note 5)*	(4,762)	(6,927)	—	(11,689)
At 30 September 2021, net of accumulated depreciation	128,540	87,448	14,351	230,339
At 30 September 2021:				
Cost	133,396	96,324	14,351	244,071
Accumulated depreciation	(4,856)	(8,876)	—	(13,732)
Net carrying amount	128,540	87,448	14,351	230,339

8. LEASES

Lynway Vision as a lessee

Lynway Vision has lease contracts for various items of properties used in its operations. Leases of properties generally have lease terms of 50 years. Generally, Lynway Vision is restricted from assigning and subleasing the leased assets outside Lynway Vision.

(a) Right-of-use assets

The carrying amounts of the right-of-use assets and the movements during the Pre-acquisition Period are as follows:

Nine months ended 30 September 2021	Leasehold land
	RMB'000
At the beginning of period	38,892
Depreciation charge *(note 5)*	(609)
At the end of period	38,283

(b) The amounts recognised in profit or loss in relation to leases are as follows:

	Nine months ended 30 September 2021
	RMB'000
Depreciation charge of right-of-use assets *(note 5)*	609

9. OTHER INTANGIBLE ASSETS

30 September 2021	Software
	RMB'000
At 1 January 2021:	
Cost	151
Accumulated amortisation	(17)
Net carrying amount	134
At 1 January 2021, net of accumulated amortisation	134
Additions	5,386
Amortisation provided during the period *(note 5)*	(355)
At 30 September 2021, net of accumulated amortisation	5,165
At 30 September 2021:	
Cost	5,536
Accumulated amortisation	(371)
Net carrying amount	5,165

10. INVENTORIES

	As at 30 September 2021
	RMB'000
Raw materials and consumables	5,196
Contract costs	5,396
Finished goods	10,844
Total	21,436

11. TRADE RECEIVABLES

	As at 30 September 2021
	RMB'000
Trade receivables	17,419
Impairment	(348)
Net carrying amount	17,071

Lynway Vision has various credit policies for different business operations depending on the requirements of the markets and businesses. The ageing analysis of the trade receivables based on date of the invoice and net of provision for impairment is as follows:

	As at 30 September 2021
	RMB'000
Within 1 year	17,071

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 30 September 2021
	RMB'000
At the beginning of the period	—
Impairment losses, net	348
At the end of the period	348

For trade receivables, Lynway Vision has applied the simplified approach in IFRS 9 to measure the loss allowance at an amount equal to lifetime ECLs. Lynway Vision determines the ECLs on these items by using a provision matrix, estimated based on the financial quality of the debtors and historical credit loss experience based on the days past due of the trade receivables, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. The following table details the risk profile of trade receivables:

	Gross carrying amount	Expected credit loss rate	Expected credit losses
	RMB'000		*RMB'000*
Within 1 year	17,419	2%	348

12. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 30 September 2021
	RMB'000
Value-added tax recoverable	4,961
Prepayments and other receivables	121
Total	5,082

An impairment analysis was performed at the end of the Pre-acquisition Period. Lynway Vision has applied the general approach to provide for expected credit losses for other receivables under IFRS 9. Lynway Vision considered the historical loss rate and adjusted it for forward-looking macroeconomic data in calculating the expected credit loss rate. At the end of the Pre-acquisition Period, the loss allowance was assessed to be not material.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 September
	2021
	RMB'000
Current	
Financial products, at fair value	86,300

14. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	As at 30 September
	2021
	RMB'000
Cash at banks and on hand	19,542
Less: Pledged deposits	16,761
Cash and bank balances	2,781

15. TRADE PAYABLES

The ageing analysis of trade payables of Lynway Vision is as follows:

	As at 30 September
	2021
	RMB'000
Within 1 year	64,301
1 to 2 years	2,061
Total	66,362

16. OTHER PAYABLES AND ACCRUALS

	As at 30 September 2021
	RMB'000
Deposits received	2,168
Payroll and welfare payable	6,118
Other payables	30,129
Government subsidy payable*	200,000
Other tax payables	1,222
Total	239,637

* Government subsidy payable represents the non-recurring subsidy stipulated in investment contracts, the attaching conditions of which are to be fulfilled in the following periods.

17. CONTRACT LIABILITIES

	As at 1 January 2021	As at 30 September 2021
	RMB'000	*RMB'000*
Advances from customers	—	2,746

18. SHARE CAPITAL

	As at 30 September 2021
	RMB'000
Issued and fully paid:	
Ordinary shares of RMB1.00 each	104,100

19. OTHER RESERVES

The amounts of Lynway Vision's reserves and the movements therein for the Pre-acquisition Period are presented in the statement of changes in equity.

(a) Capital reserve

The capital reserve of Lynway Vision includes the share premium contributed by the shareholders of Lynway Vision.

20. COMMITMENTS

Lynway Vision had the following contractual commitments at the end of the Pre-acquisition Period:

	As at 30 September 2021
	RMB'000
Construction in progress	22,204

21. RELATED PARTY TRANSACTIONS

(a) Names and relationships

Name of related parties	Relationship with the Lynway Vision
Linlux Electronics Ltd.	Controlled by the Company
Geely Related Group	Shareholder of Lynway Vision with more than 5% of indirect shareholding

(b) Lynway Vision had the following transactions with related parties during the Pre-acquisition Period:

	As at 30 September 2021
	RMB'000
Revenue from goods *(note i)*	
Geely Related Group	50,450
Purchase of goods and services *(note ii)*	
Geely Related Group	731
Linlux Electronics Ltd.	153
Total	884

Notes:

(i) The sales to the related parties were made according to the published prices and conditions offered to the major customers of Lynway Vision.

(ii) The purchases from the related parties were made according to the published prices and conditions offered by the related parties to their major customers. The credit terms granted by the related parties were generally in line with the credit terms granted to their major customers.

(c) Outstanding balances with related parties as at 30 September 2021:

	As at 30 September 2021
	RMB'000
Trade receivables	
Geely Related Group	17,419
Impairment	(348)
Total	17,071
Trade payables	
Geely Related Group	1,789
Linlux Electronics Ltd.	94
Total	1,883
Other payables and accruals	
Geely Related Group	1,860
Contract liabilities	
Geely Related Group	2,700

At the end of the Pre-acquisition Period, all the remaining balances with related parties are trade in nature.

22. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments at the end of the Pre-acquisition Period were as follows:

As at 30 September 2021

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	86,300	—	86,300
Trade receivables	—	17,071	17,071
Financial assets included in prepayments, other receivables and other assets	—	42	42
Pledged deposits	—	16,761	16,761
Cash and cash equivalents	–	2,781	2,781
Total	86,300	36,655	122,955

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	66,362
Financial liabilities included in other payables and accruals	232,123
Total	298,485

23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets included in other receivables, pledged deposits and other assets, trade payables, and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

Lynway Vision's finance team headed by the chief finance controller/his or her designator is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance team reports directly to the finance head. At each reporting date, the finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the finance head.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The carrying amounts and fair values of Lynway Vision's financial instruments are as follows:

As at 30 September 2021

	Carrying amounts	Fair values
	RMB'000	*RMB'000*
Financial assets		
Financial assets at FVTPL.	86,300	86,300

Fair value hierarchy

The following table illustrate the fair value measurement hierarchy of Lynway Vision's financial instruments.

Assets measured at fair value

As at 30 September 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	–	86,300	—	86,300

During the Pre-acquisition Period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Lynway Vision's principal financial instruments comprise finance assets at FVTPL and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Lynway Vision's operations. Lynway Vision has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from Lynway Vision's financial instruments are credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

An impairment analysis was performed at end of the Pre-acquisition Period using a provision matrix to measure expected credit losses. The provision rates are based on ageing for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Maximum exposure and period-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on Lynway Vision's credit policy, which is mainly based on ageing information unless other information is available without undue cost or effort, and year-end staging classification as at the end of the Pre-acquisition Period. The amounts presented are gross carrying amounts for financial assets.

As at 30 September 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	—	—	—	17,071	17,071
Financial assets included in prepayments, other receivables and other assets	42	—	—	—	42
Pledged deposits	16,761	—	—	—	16,761
Cash and cash equivalents	2,781	—	—	—	2,781
Total	19,584	—	—	17,071	36,655

Liquidity risk

Lynway Vision monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The maturity profile of Lynway Vision's financial liabilities as at end of the Pre-acquisition Period, based on the contractual undiscounted payments, is as follows:

As at 30 September 2021

	Less than 1 year	1 to 3 years	Over 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	66,362	—	—	66,362
Other payables and accruals	232,123	—	—	232,123
Total	298,485	—	—	298,485

Capital management

The primary objective of Lynway Vision's capital management is to ensure that it maintains a strong credit profile and healthy capital ratios in order to support its business and maximise shareholders' value.

Lynway Vision manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, Lynway Vision may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the period.

25. EVENTS AFTER THE PRE-ACQUISITION PERIOD

There were no significant events after the end of the Pre-acquisition Period that require additional disclosure or adjustments.

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix IA and Appendix IB to this prospectus, and is included for information purposes only. The pro forma financial information should be read in conjunction with the "Financial Information" section in this prospectus and the Accountants' Report set out in Appendix IA and Appendix IB to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets has been prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants for illustration purposes only, and is set out here to illustrate the effect of the Global Offering on our consolidated net tangible assets as of May 31, 2024 as if it had taken place on May 31, 2024.

The unaudited pro forma adjusted statement of consolidated net tangible assets of the Group attributable to the owners of the Company has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as of May 31, 2024 or any future date. It is prepared based on our consolidated net tangible assets attributable to the owners of the Company as of May 31, 2024 as set out in the Accountants' Report of the Group as set out in Appendix IA to this prospectus, and adjusted as described below. The unaudited pro forma adjusted statement of consolidated net tangible assets attributable to the owners of the Company does not form part of the Accountants' Report as set out in Appendix IA and Appendix IB to this prospectus.

	Consolidated net tangible assets attributable to owners of the Company as at May 31, 2024	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted consolidated net tangible assets as at May 31, 2024**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share as at May 31, 2024**	
	RMB'000 *(Note 1)*	*RMB'000* *(Note 2)*	*RMB'000*	*RMB* *(Note 4)*	*(HK$ equivalent)* *(Note 4)*
Based on an Offer Price of HK$3.61 per Share.	1,065,632	76,687	1,142,319	2.15	2.35

Notes:

(1) The consolidated net tangible assets attributable to owners of the Company as at May 31, 2024 is extracted from "Appendix IA — Accountants' Report of the Group", which is based on the consolidated equity attributable to owners of the Company as of May 31, 2024 of approximately RMB1,104,781,000, less other intangible assets and goodwill of approximately RMB39,149,000 as of May 31, 2024.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$3.61 per Share, after deduction of the underwriting fees and other related expenses payable by the Company (excluding the listing expense that have been charged to profit or loss during the Relevant Periods) and does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of HK$1.00 to RMB0.9136 prevailing on the Latest Practicable Date.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 532,106,709 Shares in issue immediately following the completion of the Global Offering and does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option.

(4) The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK$1.00 to RMB0.9136 prevailing on the Latest Practicable Date.

(5) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 May 2024.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

EY 安永

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

To the Directors of APT Electronics Co., Ltd.

We have completed our assurance engagement to report on the compilation of pro forma financial information of APT Electronics Co., Ltd. (the "**Company**") and its subsidiary (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 31 May 2024 and related notes as set out on pages II-1 to II-2 of the prospectus dated 31 October 2024 (the "**Prospectus**") issued by the Company (the "**Pro Forma Financial Information**"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Appendix II of the Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group's financial position as at 31 May 2024 as if the transaction had taken place at 31 May 2024. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the period ended 31 May 2024, on which an accountants' report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline ("**AG**") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Certified Public Accountants
Hong Kong
31 October 2024

TAXATION FOR HOLDERS OF SECURITIES

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are residents or otherwise subject to tax. The discussion is based upon laws and relevant interpretations currently in force as of the Latest Practicable Date, which are subject to change or adjustment and may have retrospective effect and therefore do not constitute any opinion or recommendation. The discussion has no intention to cover all possible tax consequences resulting from the investment in H Shares, nor does it take the specific circumstances of any particular investor into account, some of which may be subject to special regulations. Accordingly, prospective investors should consult their own tax advisors regarding the tax consequences of an investment in H Shares.

No issues on PRC or Hong Kong taxation other than income tax, capital income and profit tax, business tax/VAT, stamp duty and estate duty are addressed in this discussion. Prospective investors shall consult their own advisors regarding the PRC, Hong Kong and other tax consequences of purchasing, owning and disposing of H Shares.

PRC TAXATION

Taxation on Dividends

Individual Investors

In accordance with the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) (hereinafter referred to as "**IIT Law**") issued by the Standing Committee of the National People's Congress on September 10, 1980, amended on August 31, 2018 and effective on January 1, 2019, and the Regulations for the Implementation of the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法實施條例》) amended by the State Council on December 18, 2018 and effective on January 1, 2019, dividends paid by Chinese companies to individual investors shall generally be subject to withholding tax at a rate of 20%. Meanwhile, according to the Notice on Issues concerning the Implementation of Differential Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (Cai Shui [2015] No. 101) (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2015]101號)) issued by the MOF, the SAT and the CSRC on September 7, 2015, where an individual acquires the stocks of a listed company from public offering of the company or from the stock market, if the stock holding period is more than one year, the dividend incomes shall be exempted from personal income tax. Where an individual acquires the stocks of a listed company from public offering of the company or from the stock market, if the stock holding period is one month or less, the income from dividends shall be included into the taxable incomes in full amount; if the stock holding period is more than one month and up to one year, 50% of the dividend income shall be included into the taxable incomes. The individual income tax rate on the aforesaid income is imposed at the uniform rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by applicable tax treaty. In practice, the withholding rate on non-resident individuals' dividends may be lower than 20% in certain circumstances, as described in "Risk Factors — Holders of our H Shares may be subject to income tax obligations in China."

Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on August 21, 2006, the PRC government may impose tax on dividends paid to a Hong Kong resident (including natural person and legal entity) by a PRC company, but such tax shall not exceed 10% of the total amount of the dividends payable. The Fifth Protocol of the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income issued by the SAT (《國家稅務總局關於<內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排>第五議定書》) effective on December 6, 2019 states that such provisions shall not apply to arrangements or transactions made for the primary purpose of gaining such tax benefit.

Enterprise Investors

In accordance with the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) (hereinafter referred to as "**EIT Law**") amended and effective on December 29, 2018, and the Implementing Regulations of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》) amended and effective on April 23, 2019, a non-resident enterprise is generally subject to a 10% EIT on PRC-sourced income, including dividends received from a Chinese resident enterprise whose shares are issued and listed in Hong Kong, if such non-resident enterprise does not have an establishment or premises in the PRC or has an establishment or premises in the PRC but the PRC-sourced income is not actually connected with such establishment or premises in the PRC. The aforesaid income tax payable by non-resident enterprises shall be withheld at source, with the payer of the income being the withholding agent. Such withholding tax may be reduced or eliminated under an applicable treaty for the avoidance of double taxation.

The Circular of the SAT on Issues Relating to the Withholding of Enterprise Income Tax by Chinese Resident Enterprises on Dividends Paid to Overseas Non-Chinese Resident Enterprise Shareholders of H Shares (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) issued by the SAT and effective on November 6, 2008, further clarified that a Chinese resident enterprise must withhold EIT at a rate of 10% on dividends paid to non-Chinese resident enterprise H Shareholders which are derived out of profit generated after January 1, 2008. The Reply of the SAT on Imposition of Enterprise Income Tax on B-share and Other Dividends of Non-resident Enterprises (《國家稅務總局關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》) issued by the SAT and effective on July 24, 2009 further provides that any Chinese-resident enterprise that is listed on overseas stock exchanges must withhold EIT at a rate of 10% on dividends that it distributes to non-Chinese resident enterprise shareholders. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has concluded with a relevant jurisdiction, where applicable.

Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on August 21, 2006, the PRC government may impose tax on dividends paid to a Hong Kong resident (including natural person and legal entity) by a PRC company, but such tax shall not exceed 10% of the total amount of the dividends payable. If a Hong Kong resident directly holds 25% or more of equity interest in a PRC company, such tax shall not exceed 5% of the total amount of dividends payable by that PRC company. The Fifth Protocol of the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income issued by the SAT (《國家稅務總局關於<內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排>第五議定書》) effective on December 6, 2019 states that such provisions shall not apply to arrangements or transactions made for the primary purpose of gaining such tax benefit.

Tax Treaties

Non-Chinese resident investors residing in countries which have entered into treaties for the avoidance of double taxation with the PRC or residing in Hong Kong or Macau SAR may be entitled to preferential tax rates on dividends from the PRC company. The PRC has entered into arrangements for the avoidance of double taxation with Hong Kong and Macau SAR, respectively, and has entered into treaties for the avoidance of double taxation with certain other countries, including but not limited to Australia, Canada, France, Germany, Japan, Malaysia, Netherlands, Singapore, the United Kingdom and the United States. A non-Chinese resident enterprise which is entitled to a preferential tax rate under a relevant income tax treaty or arrangement may apply to the PRC tax authorities for a refund of the difference between the amount of tax withheld and tax computed based on the treaty rate.

Taxation on Gains from Share Transfer

Individual Investors

In accordance with the IIT Law and its implementation rules, individuals are subject to individual income tax at the rate of 20% on gains realized on the sale of equity interests in Chinese resident enterprises. Under the Circular of the MOF and SAT on Declaring that Individual Income Tax Continues to Be Exempted over Individual Income from Transfer of Shares (Cai Shui Zi [1998] No. 61) (《財政部、國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》(財稅字[1998]61號)) (hereinafter referred to as "**No. 61 Circular**") issued by the MOF and SAT on March 30, 1998, from January 1, 1997, gains of individuals from the transfer of shares of listed companies continue to be exempted from individual income tax. According to Announcement about the Catalog of Preferential Individual Income Tax Policies with Continued Effect (MOF and SAT Announcement [2018] No. 177) (《財政部、國家稅務總局關於繼續有效的個人所得稅優惠政策目錄的公告》(財政部、稅務總局公告[2018]177號)) issued by the MOF and SAT on December 29, 2018, the No. 61 Circular will continue to be effective.

Enterprise Investors

In accordance with the EIT Law and its implementation rules, a non-Chinese resident enterprise is generally subject to EIT at the rate of 10% with respect to PRC-sourced income, including gains derived from the disposition of shares in a Chinese resident enterprise, if it does not have an establishment or premises in the PRC or has an establishment or premises in the PRC but the PRC-sourced income is not actually connected with such establishment or premises in the PRC. The aforesaid income tax payable by non-resident enterprises shall be withheld at source, with the payer of the income being the withholding agent. Such tax may be reduced or eliminated under applicable tax treaties or arrangements.

Taxation Policy of Shanghai-Hong Kong Stock Connect

Under the Notice of the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Cai Shui [2014] No. 81) (《財政部、國家稅務總局、中國證券監督管理委員會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) which came into effect on November 17, 2014, for dividends and bonus obtained by mainland individual investors investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the H-share companies shall apply to CSDC for provision by CSDC to the H-share companies register of mainland individual investors, and the H-share companies shall withhold individual income tax at the rate of 20%.

Gains on price difference from transfer of shares derived by mainland enterprise investors from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect are included in their total income and subject to enterprise income tax according to law. In particular, EIT will be exempted according to law for dividend and bonus income obtained by mainland resident enterprises which hold H shares for at least 12 consecutive months. For dividend and bonus income obtained by mainland enterprises, the H-share companies will not withhold dividend and bonus income tax for mainland enterprises. The tax payable shall be declared and paid by the enterprises themselves.

Taxation Policy of Shenzhen-Hong Kong Stock Connect

Under the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (Cai Shui [2016] No. 127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)) which came into effect on December 5, 2016, for dividends and bonus obtained by mainland individual investors investing in H shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, the H-share companies shall apply to CSDC for provision by CSDC to the H-share companies register of mainland individual investors, and individual income tax shall be withheld by H-share companies at the tax rate of 20%.

Transfer spread income derived by mainland enterprises from investing in shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect are included in their total income and subject to enterprise income tax according to law. In particular, EIT will be exempted according to law for dividend and bonus income obtained by mainland resident enterprises which hold H shares for at least 12 consecutive months. For dividend and bonus income obtained by mainland enterprises, the H-share companies will not withhold dividend and bonus income tax for mainland enterprises. The tax payable shall be declared and paid by the enterprises themselves.

PRC Stamp Duty

Under the Stamp Tax Law of the People's Republic of China (《中華人民共和國印花稅法》) which came into effect on July 1, 2022, (i) the entities and individuals that conclude taxable vouchers or conduct securities trading within the territory of the People's Republic of China are taxpayers of stamp tax, and shall pay PRC stamp tax; (ii) the entities and individuals that conclude outside the territory of the People's Republic of China the taxable vouchers that are used inside China shall pay PRC stamp tax.

Estate Duty

The PRC currently has not imposed any estate duty.

EIT

Under the EIT Law, the EIT rate in the PRC is 25% and is in line with the rate applicable to foreign investment enterprises and foreign enterprises.

According to the Measures for the Administration of Recognition of High and New Technology Enterprises (《高新技術企業認定管理辦法》), which was promulgated by the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation on April 14, 2008, amended on January 29, 2016 and became effective on January 1, 2016, an enterprise recognized as a high and new technology enterprise may apply for a preferential enterprise income tax rate of 15% pursuant to the relevant requirements of the EIT Law. According to the Notice on Promoting Nationwide the Enterprise Income Tax Policies for Advanced Technology Service Enterprises Across the Country (《關於將技術先進型服務企業所得稅政策推廣至全國實施的通知》), which was promulgated by the Ministry of Finance, the State Administration of Taxation, the Ministry of Commerce, the Ministry of Science and Technology and the NDRC on November 2, 2017 and became effective on January 1, 2018 (with the stipulated relevant Preferential Policies for Enterprise Income Tax implemented from January 1, 2017), the enterprise income tax shall be levied on certified advanced technology service enterprises at a reduced tax rate of 15% across the country. The portion of the employee educational expenses of a certified advanced technology service enterprise not exceeding 8% of its total salaries and wages shall be allowed to be deducted in calculating its taxable income; and the excess portion shall be allowed to be carried forward to the subsequent tax years for deduction.

Pursuant to the Circular of the MOF and SAT on the Preferential Policies for Enterprise Income Tax in Guangzhou Nansha (Cai Shui [2022] No. 40) (《財政部財務總局關於廣州南沙企業所得稅優惠政策的通知》(財稅[2022]40號)), which was published on November 3, 2022 and implemented on January 1, 2022, a reduced EIT rate of 15% shall apply to qualified enterprises in the encouraged industries located in Nansha pioneering areas.

Value-added Tax

Before August 2013 and pursuant to applicable Mainland China tax regulations, any entity or individual conducting business in the service industry is generally required to pay a business tax at the rate of 5% on the revenue generated from providing services. However, if the services provided are related to technology development and transfer, the business tax may be exempted subject to approval by the relevant tax authorities.

In November 2011, MOF and SAT promulgated the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax (《營業稅改徵增值稅試點方案》). In May and December 2013, April 2014, March 2016 and July 2017, MOF and SAT promulgated five circulars to further expand the scope of services that are to be subject to VAT instead of business tax. Pursuant to these tax rules, from August 1, 2013, VAT was imposed to replace the business tax in certain service industries, including technology services and advertising services, and from May 1, 2016, VAT replaced business tax in all industries, on a nationwide basis. On November 19, 2017, the State Council further amended the Provisional Regulations of the People's Republic of China on Value-Added Tax (《中華人民共和國增值稅暫行條例》) to reflect the normalization of the pilot program. The VAT rates generally applicable are simplified as 17%, 11%, 6% and 0%, and the VAT rate applicable to the small-scale taxpayers is 3%. Unlike business tax, a taxpayer is allowed to offset the qualified input VAT paid on taxable purchases against the output VAT chargeable on the revenue from services provided.

Pursuant to the Circular on Adjusting Value-Added Tax Rates (Cai Shui [2018] No. 32) (《關於調整增值稅稅率的通知》(財稅[2018]32號)) issued by the MOF and SAT on April 4, 2018 and effective on May 1, 2018, for taxpayer engaging in VAT taxable sales or import of goods, the previously applicable rates of 17% and 11% shall be adjusted to 16% and 10%, respectively.

Pursuant to the Announcement on Policies Related to Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》) issued by the MOF, SAT and General Administration of Customs on March 20, 2019 and effective on April 1, 2019, for taxpayer engaging in VAT taxable sales or import of goods, the previously applicable rates of 16% and 10% shall be adjusted to 13% and 9%, respectively.

THE PRC LEGAL SYSTEM

The PRC legal system is based on the Constitution of the People's Republic of China (《中華人民共和國憲法》) revised and took effect on March 11, 2018 (hereinafter referred to as the "**Constitution**") and is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of State Council departments, rules and regulations of local governments, laws of special administrative regions, international treaties of which the PRC government is the signatory and other regulatory documents. Court judgments do not constitute legally binding precedents, although they are used for the purposes of judicial reference and guidance.

According to the Constitution and the Legislation Law of the People's Republic of China (《中華人民共和國立法法》) which was last revised and published on March 13, 2023 and took effect on March 15, 2023 (hereinafter referred to as the "**Legislation Law**"), the NPC and its Standing Committee are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing State organs, civil, criminal and other matters. The Standing Committee of the NPC formulates and amends the laws other than those required to be enacted by the NPC and to supplement and amend parts of the laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of state administration and has the power to formulate administrative regulations based on the Constitution and laws. The people's congresses of the provinces, autonomous regions and municipalities and their standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people's congresses of cities divided into districts and their respective standing committees may formulate local regulations on aspects such as urban and rural construction and management, environmental protection and historical and cultural protection based on the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. If the law provides otherwise on the formulation of local regulations by cities divided into districts, those provisions shall prevail. Such local regulations will become enforceable after being reported to and approved by the standing committees of the people's congresses of the relevant provinces or autonomous regions. The standing committees of the people's congresses of the provinces or autonomous regions shall examine the legality of local regulations submitted for approval, and such approval shall be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and local regulations of the relevant provinces or autonomous regions. Where, during the examination for approval of local regulations of cities divided into districts by the standing committees of the people's congresses of the provinces or autonomous regions, conflicts are identified with the rules and regulations of the people's governments of the provinces or autonomous regions, a decision should be made to resolve the issue. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the ethnic groups in the areas concerned.

The ministries and commissions of the State Council, PBOC, the National Audit Office and the subordinate institutions with administrative functions directly under the State Council may formulate departmental rules and regulations within the permissions of their respective departments based on the laws and administrative regulations, and the decisions and orders of the State Council. Provisions of departmental rules should be the matters related to the enforcement of the laws and administrative regulations, and the decisions and orders of the State Council. The people's governments of the provinces, autonomous regions, municipalities and cities or autonomous prefectures divided into districts may formulate rules and regulations based on the laws, administrative regulations and local regulations of such provinces, autonomous regions and municipalities.

The NPC has the power to amend or repeal any inappropriate laws enacted by the Standing Committee of the NPC, and to repeal any autonomous regulations and separate rules approved by the Standing Committee of the NPC that are in conflict with the Constitution and the Legislation Law. The Standing Committee of the NPC has the power to repeal any administrative regulations that are in conflict with the Constitution and the laws, and to repeal any local regulations that are in conflict with the Constitution, the laws, and the administrative regulations, and to repeal autonomous regulations and separate rules approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the central government as being in conflict with the Constitution and the Legislation Law. The State Council has the right to amend or repeal any inappropriate departmental and local government regulations. The people's congresses of the provinces, autonomous regions and municipalities directly under the central government have the right to amend or repeal any inappropriate local laws or regulations promulgated or approved by their respective standing committees, and the local people's congresses have the right to amend or repeal any inappropriate local laws or regulations promulgated or approved by their respective standing committees. The people's congresses of provinces, autonomous regions and municipalities directly under the central government have the right to amend or repeal any inappropriate local regulations promulgated or approved by their respective standing committees. The standing committees of local people's congresses have the right to repeal any inappropriate rules promulgated by the people's governments at the same level, and the people's governments of provinces and autonomous regions have the right to amend or repeal any inappropriate rules promulgated by the people's governments at lower levels.

Pursuant to the Resolution of the Standing Committee of the NPC Providing an Improved Interpretation of the Law (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on June 10, 1981, in cases where the scope of provisions of laws or decrees needs to be further defined or additional stipulations need to be made, the Standing Committee of the NPC shall provide interpretations or make stipulations by means of decrees. Issues related to the application of laws and decrees in a court trial should be interpreted by the Supreme People's Court, issues related to the application of laws and decrees in a prosecution process of the procuratorate should be interpreted by the Supreme People's Procuratorate, and issues related to the application of laws and decrees other than the abovementioned should be interpreted by the State Council and the competent authorities. The State Council and its ministries and commissions are also vested with the power to give interpretations of the administrative regulations and departmental rules which they have promulgated. At the regional level, the power to interpret regional regulations is vested in the regional legislative and administrative authorities which promulgate such regulations.

THE PRC JUDICIAL SYSTEM

Under the Constitution, the Law of Organization of the People's Court of the People's Republic of China (2018 Revision) (《中華人民共和國人民法院組織法(2018修訂)》) and the Law of Organization of the People's Procuratorate of the People's Republic of China (2018 Revision) (《中華人民共和國人民檢察院組織法(2018修訂)》), the people's courts of the PRC are divided into the Supreme People's Court, the local people's courts at all levels and special people's courts. The local people's courts at all levels are divided into three levels, namely, the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts may set up certain people's tribunals based on the status of the region, population and cases. The Supreme People's Court shall be the highest judicial organ of the state. The Supreme People's Court shall supervise the administration of justice by the local people's courts at all levels and by the special people's courts. The people's courts at a higher level shall supervise the judicial work of the people's courts at lower levels. The people's procuratorates of the PRC are divided into the Supreme People's Procuratorate, the local people's procuratorates at all levels, Military Procuratorates and other special people's procuratorates. The Supreme People's Procuratorate shall be the highest procuratorial organ. The Supreme People's Procuratorate shall direct the work of the local people's procuratorates at all levels and of the special people's procuratorates; the people's procuratorates at higher levels shall direct the work of those at lower levels.

The people's courts employ a two-tier appellate system, i.e., judgments or rulings of the second instance at the people's courts are final. A party may appeal against the judgment or ruling of the first instance of a local people's courts. The people's procuratorate may present a protest to the people's courts at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people's procuratorate within the stipulated period, the judgments or rulings of the people's courts are final. Judgments or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court and those of the first instance of the Supreme People's Court are final. However, if the Supreme People's Court finds any definite errors in a legally effective final judgment or ruling of a people's court at any lower level, the people's courts at the next higher level finds any definite errors in a legally effective final judgment or ruling of the people's court at a lower level, or if the chief judge of a people's court at any level finds any definite errors in a legally effective final judgment or ruling of such court, the case can be retried according to judicial supervision procedures.

The Civil Procedure Law of the People's Republic of China (《中華人民共和國民事訴訟法》) (hereinafter referred to as the "**PRC Civil Procedure Law**") adopted on April 9, 1991, latest amended on September 1, 2023 and took effect on January 1, 2024, prescribes the conditions for instituting a civil action, the jurisdiction of the people's court, the procedures for conducting a civil action, and the procedures for enforcement of a civil judgment or ruling. All parties to a civil action conducted within the PRC must abide by the PRC Civil Procedure Law. A civil case is generally under the jurisdiction of the court located in the defendant's place of domicile. As far as civil litigation is concerned, the parties to a contract may agree in writing to choose the jurisdiction of a people's court at the place of domicile of the defendant, the place of performance of the contract, the place of conclusion of the contract, the place of domicile of the plaintiff, the place of the subject-matter, and other places which have a real connection with the dispute, provided that any of the above does not contravene the provisions on hierarchical jurisdiction and exclusive jurisdiction.

A foreign individual, a person without nationality, a foreign enterprise or a foreign organization is given the same litigation rights and obligations as a citizen, a legal person or other organizations of the PRC when initiating actions or defending against litigations at a people's court. Should a foreign court limit the litigation rights of PRC citizens or enterprises, a people's court of the PRC may apply the same limitations to the citizens or enterprises of such foreign country. A foreign individual, a person without nationality, a foreign enterprise or a foreign organization must engage a PRC lawyer in case he or it needs to engage a lawyer for the purpose of initiating actions or defending against litigations at a people's court. In accordance with the international treaties to which the PRC is a signatory or participant or according to the principle of reciprocity, a people's court and a foreign court may request each other to serve documents, conduct investigation and collect evidence and conduct other actions on its behalf. A people's court shall not accommodate any request made by a foreign court which will result in the violation of sovereignty, security or public interests of the PRC.

All parties to a civil action shall perform the legally effective judgments and rulings. If any party to a civil action refuses to abide by a judgment or ruling made by a people's court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people's court for the enforcement of the same within two years subject to application for postponed enforcement or revocation. Suspension or disruption of the time limit for applying for such enforcement shall comply with the provisions of the applicable law concerning the suspension or disruption of the time-barring of actions. If a party fails to satisfy within the stipulated period a judgment which the court has granted an enforcement approval, the court may, upon the application of the other party, mandatorily enforce the judgment against such party.

Where a party requests for enforcement of an effective judgment or ruling made by a people's court, but the opposite party or his property is not within the territory of the People's Republic of China, the party may directly apply to the foreign court with jurisdiction for recognition and enforcement of the judgment or ruling, or the people's court may, in accordance with the provisions of international treaties to which the PRC is a signatory or in which the PRC is a participant or according to the principle of reciprocity, request for recognition and enforcement by the foreign court. Similarly, for an effective judgment or ruling made by a foreign court that requires recognition and enforcement by a people's court of the PRC, a party may directly apply to an intermediate people's court of the PRC with jurisdiction for recognition and enforcement of the judgment or ruling, or the foreign court may, in accordance with the provisions of international treaties to which its country and the PRC are signatories or in which its country is a participant or according to the principle of reciprocity, request for recognition and enforcement by the people's court, unless the people's court considers that the recognition or enforcement of such judgment or ruling would violate the basic legal principles of the PRC, its sovereignty or national security or would not be in social and public interest.

THE COMPANY LAW OF THE PEOPLE'S REPUBLIC OF CHINA, THE TRIAL MEASURES FOR THE ADMINISTRATION ON OVERSEAS SECURITIES OFFERING AND LISTING BY DOMESTIC COMPANIES AND THE GUIDELINES ON THE ARTICLES OF ASSOCIATION OF LISTED COMPANIES

The Company Law of the People's Republic of China (《中華人民共和國公司法》) (hereinafter referred to as the "**PRC Company Law**") was adopted by the Standing Committee of the Eighth NPC at its Fifth Session on December 29, 1993 and came into effect on July 1, 1994. It was successively amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, October 26, 2018 and December 29, 2023. The latest revision of the PRC Company Law took effect on July 1, 2024.

On February 17, 2023, the CSRC promulgated the Trial Measures for Overseas Listing, which took effect on March 31, 2023. The Trial Measures for Overseas Listing apply to both direct and indirect overseas share subscription and listing of domestic enterprises, and also set out the filing and administration methods and regulatory requirements for the overseas issuance of securities and listing of domestic enterprises.

On December 15, 2023, the CSRC promulgated the newly revised Guidelines on the Articles of Association of Listed Companies (the "**Articles of Association Guidelines**"), which came into effect on the same date. Pursuant to the Trial Measures for Overseas Listing and its supporting Guidelines for the Application of Regulatory Rules — Overseas Issuance and Listing Category No. 1, domestic enterprises that directly issue and list overseas shall formulate articles of association and standardize corporate governance with reference to the Articles of Association Guidelines and other relevant provisions of the CSRC on corporate governance.

The key provisions of the PRC Company Law (2023 Revision), the Trial Measures for Overseas Listing and the Articles of Association Guidelines currently in force are summarized below.

GENERAL

A "joint stock limited company" (hereinafter referred to as the "**company**") refers to a corporate legal person incorporated in China under the PRC Company Law with independent legal person properties and entitlements to such legal person properties. The liability of the company for its own debts is limited to the total amount of all assets it owns and the liability of its shareholders for the company is limited to the extent of the shares they subscribe for.

A company must conduct its business in accordance with laws as well as public and commercial ethics. A company may invest in other limited liability companies. The liabilities of the company to such invested companies are limited to the amount invested. Unless otherwise provided by laws, a company cannot be the capital contributor who has the joint and several liabilities associated with the debts of the invested enterprises.

INCORPORATION

A company may be established by promotion or subscription. A company shall have a minimum of one but no more than 200 people as its promoters, over half of which must have a domicile within the PRC. The registered capital of the company is the total share capital subscribed for by all the promoters registered with the company's registration authorities. No share offering shall be made before the shares subscribed for by promoters are fully paid up. If laws, administrative regulations and State Council decisions provide otherwise on paid-in registered capital and the minimum registered capital, a company should follow such provisions.

For companies incorporated by way of promotion, the promoters shall subscribe for the shares required to be subscribed for by them under the articles of association. Procedures relating to the transfer of titles to non-monetary assets shall be duly completed if such assets are to be contributed as capital. If the promoters fail to pay up monies for the shares they subscribe for, or if the actual value of the non monetary property used as capital contribution is significantly lower than the subscribed shares, the other promoters shall be jointly and severally liable with the promoter to the extent of the shortfall in capital contribution. The board of directors shall authorize representatives to apply to the company registration authority for registration of the establishment within 30 days after the conclusion of the inauguration meeting of the company.

Where companies are incorporated by subscription, not less than 35% of their total number of shares must be subscribed for by the promoters, unless otherwise provided by laws or administrative regulations. A promoter who offers shares to the public must publish a prospectus and prepare a subscription letter to be completed, signed and sealed by subscribers, specifying the number and amount of shares to be subscribed for and the subscribers' addresses. The subscribers shall pay up monies for the shares they subscribe for. Where a promoter is offering shares to the public, such offer shall be underwritten by security companies established under PRC law, and underwriting agreements shall be entered into. A promoter offering shares to the public shall also enter into agreements with banks in relation to the receipt of subscription monies. The receiving banks shall receive and keep in custody the subscription monies, issue receipts to subscribers who have paid the subscription monies and is obliged to furnish evidence of receipt of those subscription monies to relevant authorities in accordance with the agreement. After the subscription monies for the share issue have been paid in full, a capital verification institution established under PRC laws must be engaged to conduct a capital verification and furnish a certificate thereof. The promoters shall preside over and convene an inauguration meeting within 30 days from the date of the full payment of subscription money, and shall notify the subscribers of the date of such meeting or make an announcement 15 days before the inauguration meeting. The inauguration meeting shall be composed of the promoters and subscribers representing a majority of the total number of shares. The powers and functions of the inauguration meeting shall include but not limited to adopting the Articles of Association and electing the members of the board of directors and the supervisory committee. Resolutions on the foregoing matters at the inauguration meeting shall be passed by a majority of the votes held by the subscribers present at the meeting. Where the shares issued remain undersubscribed by the deadline stipulated in the prospectus, or where the promoter fails to convene an inauguration meeting within 30 days of the subscription monies for the shares issued being fully paid up, the subscribers may demand that the promoters refund the subscription monies so paid together with the interest at bank rates of a deposit for the same period. Within 30 days after the conclusion of the inauguration meeting, the board of directors shall apply to the company registration authority for registration of the establishment of the company. A company is formally established and has the capacity of a legal person after approval of registration has been given by the relevant company registration authority for industry and commerce and a business license has been issued. A joint stock limited company established by subscription shall obtain approval for a public offering from the securities regulatory authority of the State Council and submit relevant approval to the company registration authority.

A company's promoters shall be liable for: (1) the debts and expenses incurred in the establishment process jointly and severally if the company cannot be incorporated; (2) the subscription monies paid by the subscribers together with interest at bank rates of deposit for the same period jointly and severally if the company cannot be incorporated; and (3) the compensation of any damages suffered by the company in the course of its establishment as a result of the promoters' fault. Pursuant to the Interim Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) promulgated by the State Council on April 22, 1993 (only applicable to the issuance and trading of shares and related activities in the PRC), if a company is established by means of subscription, the promoters of such company are required to provide signatures on the documents to ensure that they are free from any misrepresentation, serious misleading statements or material omissions, and assume joint and several liability for such documents.

SHARE CAPITAL

The promoters may make a capital contribution in currencies, or non-monetary assets such as in kind or intellectual property rights or land use rights which can be appraised with monetary value and transferred lawfully, except for assets which are prohibited from being contributed as capital by the laws or administrative regulations. If a capital contribution is made with non-monetary assets, a valuation and verification of the asset contributed must be carried out without any overvaluation or undervaluation. Where the law or administrative regulations in place have any other provisions on valuation, such provisions shall prevail.

The issuance of shares shall be conducted in a fair and equitable manner. Each share of the same class must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. The same price per share shall be paid by any share subscriber (whether an entity or an individual). The share offering price may be equal to or greater than the nominal value of the share, but may not be less than the nominal value.

Under the PRC Company Law, a company issuing registered share certificates shall maintain a shareholder registry which sets forth the following matters: (1) the name and domicile of each shareholder; (2) the number of shares held by each shareholder; (3) the serial numbers of shares held by each shareholder; and (4) the date on which each shareholder acquired the shares.

According to the Trial Measures for Overseas Listing, a domestic enterprise may raise funds and pay dividends in foreign currency or RMB when listing overseas. Under certain circumstances, such as equity incentives and the acquisition of assets through the issuance of securities, a domestic enterprise is allowed to issue securities to specific domestic targets when it directly issues and lists overseas. According to the Trial Measures, the shareholders of unlisted domestic shares of a domestic enterprise that directly issues securities and is listed overseas shall comply with the relevant regulations promulgated by the CSRC when applying for the conversion of such shares to shares listed and traded on overseas trading venues, and shall authorize the domestic enterprise to make a filing with the CSRC on their behalf, submit the filing report, a legal opinion and other relevant materials, and provide a true, accurate, and complete information of its shareholders and other matters. The unlisted domestic shares referred to in the preceding paragraph represent shares issued by a domestic enterprise but not yet listed or traded on a domestic exchange. Unlisted domestic shares shall be centrally registered and deposited with the domestic securities depository and clearing institutions. The registration and settlement arrangements for shares listed overseas shall be implemented in accordance with the regulations of the place of overseas listing. Where a domestic enterprise is indirectly listed overseas, the issuer shall appoint a major domestic business entity to file with the CSRC on its behalf.

INCREASE IN SHARE CAPITAL

Pursuant to the relevant provisions of the PRC Company Law, where a company is issuing new shares, resolutions shall be made at the shareholders' meeting in accordance with the articles of association in respect of the class and amount of the new shares, the issue price of the new shares, the commencement and end dates for the issue of the new shares and the class and amount of the new shares to be issued to existing shareholders. When a company launches a public issue of new shares upon the approval by the securities regulatory authority of the State Council, a new share offering prospectus and financial accounting report must be announced and a subscription letter must be prepared. After the new shares issued by the company has been paid up, the change must be registered with the company registration authority and a public announcement must be made accordingly.

In addition, the Securities Law also requires the following conditions for a company to issue new shares to the public: (1) the company is a complete and well-operated organization; (2) the company is able to operate on a going concern; (3) the financial and accounting reports of the company for the last three years were issued with unqualified audit opinion; (4) the issuer, its controlling shareholder, and actual controller have not been involved in corruption, bribery, embezzlement, misappropriation of property, or criminal offences that disrupt the socialist market economic order in the past three years; and (5) the company is able to fulfill any other requirements as prescribed by the securities regulatory authority of the State Council as approved by the State Council. After payment in full for the new shares issued, a company must modify its registration with the relevant company registration authority and issue an announcement accordingly.

REDUCTION OF SHARE CAPITAL

A company shall reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law: (1) the company shall prepare a balance sheet and an inventory of assets; (2) the reduction of registered capital must be approved by shareholders at the shareholders' meeting; (3) the company shall notify its creditors within 10 days and publish an announcement in newspapers or on the National Enterprise Credit Information Publicity System within 30 days from the day on which the resolution approving the reduction was made; (4) the creditors of the company are entitled to require the company to repay its debts or provide guarantees for such debts within 30 days from receipt of the notification or within 45 days from the date of the announcement if he/she/it has not received any notification; and (5) the company must apply to the company registration authority for change in registration.

REPURCHASE OF SHARES

Pursuant to the PRC Company Law, a company may not repurchase the shares of the Company other than for any of the following purposes: (1) reducing its registered capital; (2) merging with other companies which hold the shares of the Company; (3) carrying out an employee stock ownership plan or equity incentive plan; (4) acquiring its shares at the request of its shareholders who vote in a shareholders' meeting against a resolution regarding a merger and division; (5) utilizing the shares for conversion of listed corporate bonds which are convertible into shares; and (6) where it is necessary for the listed company to safeguard the value of the company and the interests of its shareholders. The acquisition by a company of the shares of the Company on the grounds set out in item (1) to (2) above shall be approved by way of a resolution of a shareholders' meeting; the acquisition by a company of its own shares in circumstances as set out in items (3), (5) and (6) above may be approved by way of a resolution at a board meeting with more than two-thirds of the directors present in accordance with the provisions of the articles of association or the authorization of the shareholders' meeting.

Following the acquisition by a company of the shares of the Company in accordance with these requirements, such shares shall be canceled within 10 days from the date of the acquisition under the circumstance in item (1); such shares shall be transferred or canceled within six months under the circumstances in items (2) or (4); the total shares of the Company held by the company shall not exceed 10% of the total shares issued by the Company and such shares shall be transferred or canceled within three years under the circumstances in items (3), (5) or (6).

A listed company shall perform its information disclosure obligations in accordance with the provisions of the PRC Securities Law when acquiring the shares of the Company. The acquisition by a listed company of the shares of the Company in circumstances as set out in items (3), (5) and (6) of this article shall be conducted through open centralized trading.

The Company shall not accept the shares of the Company as the subject of pledge.

TRANSFER OF SHARES

Shares held by shareholders may be transferred legally. Pursuant to the PRC Company Law, a shareholder should effect a transfer of its shares on a stock exchange established in accordance with laws or by any other means as required by the State Council. Registered shares may be transferred after the shareholders endorse the back of the share certificates or in other manner specified by laws and administrative regulations. Following the transfer, the company shall enter the names and addresses of the transferees into its share register. No changes of registration in the share register described above shall be effected during a period of 20 days prior to convening a shareholders' meeting or 5 days prior to the record date for the purpose of determining entitlements to dividend distributions, unless otherwise stipulated by laws on the registration of changes in the share register of listed companies.

Pursuant to the PRC Company Law, no changes of registration in the share register due to share transfer shall be effected during a period of 20 days prior to convening a shareholders' meeting or 5 days prior to the record date for the purpose of determining entitlements to dividend distributions, unless otherwise stipulated by laws on the registration of changes in the share register of listed companies.

Pursuant to the PRC Company Law, shares issued prior to the public offering of shares by a company shall not be transferred within one year from the date the shares of the company were listed on the stock exchange(s). Directors, supervisors and senior management of the company shall report to the company their shareholdings and changes therein and shall not transfer more than 25% per year of the total number of shares held by them during their terms of office. The shares of the company held by them shall not be transferred within one year from the date the share certificates of the company being listed and traded. The aforesaid person(s) shall not transfer the shares of the company held by them within six months commencing from the termination of their service. The articles of association may set out other restrictive provisions in respect of the transfer of shares of the Company held by its directors, supervisors and the senior management.

According to the Trial Measures for Overseas Listing, where a domestic enterprise directly issues and lists overseas, shareholders who hold unlisted shares in the domestic enterprise and apply to convert their unlisted shares in the domestic enterprise into listed shares overseas and to list and circulate them on overseas trading venues shall comply with the relevant provisions of the CSRC and entrust the domestic company to make a filing with the CSRC.

SHAREHOLDERS

Under the PRC Company Law and the Articles of Association Guidelines, the rights of shareholders include the rights: (1) to receive a return on assets, participate in significant decision-making and select management personnel; (2) to petition the people's court to revoke any resolution passed on a shareholders' meeting or a meeting of the board of directors that has been convened or whose voting has been conducted in violation of the laws, administrative regulations or the articles of association, or any resolution the contents of which is in violation of the articles of association, provided that such petition shall be submitted within 60 days of the passing of such resolution; (3) to transfer the shares of the shareholders legally; (4) to attend or appoint a proxy to attend shareholders' meetings and exercise the voting rights; (5) to inspect the articles of association, share register, counterfoil of company debentures, minutes of shareholders' meetings, board resolutions, resolutions of the supervisory committee and financial and accounting reports, and to make suggestions or inquiries in respect of the company's operations; (6) to receive dividends in respect of the number of shares held; (7) to participate in distribution of residual properties of the company in proportion to their shareholdings upon the liquidation of the company; and (8) any other shareholders' rights provided for in laws, administrative regulations, other normative documents and the articles of association.

The obligations of shareholders include the obligation to abide by the company's articles of association, to pay the subscription monies in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of the amount of subscription monies agreed to be paid in respect of the shares taken up by them, not to abuse shareholders' rights to impair the interests of the company or other shareholders, not to abuse the independent status of legal person or shareholders' limited liabilities to impair the interests of the creditors of the company and any other shareholder obligation specified in the articles of association.

According to the Trial Measures for Overseas Listing, a domestic enterprise that issues and lists overseas shall make a filing with the CSRC in accordance with such measures, submit a filing report, a legal opinion and other relevant materials, and provide a true, accurate and complete information of its shareholders and other matters.

SHAREHOLDERS' MEETINGS

The shareholders' meetings are the organ of power of the company and shall exercise its powers according to the PRC Company Law. The shareholders' meeting may exercise its powers: (1) to elect and change the directors and supervisors and to decide on the matters relating to the remuneration of directors and supervisors; (2) to review and approve the reports of the board of directors; (3) to review and approve the reports of the supervisory committee; (4) to review and approve the company's profit distribution proposals and loss recovery proposals; (5) to decide on any increase or reduction of the company's registered capital; (6) to decide on the issue of corporate bonds; (7) to decide on merger, division, dissolution and liquidation of the company or change of its corporate form; (8) to amend the articles of association; and (9) to exercise any other authority stipulated in the articles of association.

Pursuant to the PRC Company Law and the Articles of Association Guidelines, a shareholders' meeting is required to be held once every year within six months after the end of the previous accounting year. An extraordinary meeting is required to be held within two months upon the occurrence of any of the following: (1) the number of directors is less than the number required by law or less than two-thirds of the number specified in the articles of association; (2) the outstanding losses of the company amounted to one-third of the company's total paid-in share capital; (3) shareholders individually or in aggregate holding more than 10% of the company's shares request to convene an extraordinary meeting; (4) the board deems necessary; (5) the supervisory committee so proposes; or (6) other circumstances as provided for in the articles of association.

A shareholders' meeting shall be convened by the board of directors and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or is not performing his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or is not performing his duties, a director recommended by more than half of the directors shall preside over the meeting. Where the board of directors is incapable of performing or is not performing its duties to convene a shareholders' meeting, the supervisory committee shall convene and preside over the shareholders' meeting in a timely manner. If the supervisory committee fails to convene and preside over the shareholders' meeting, shareholders individually or in aggregate holding more than 10% of the company's shares for over 90 days consecutively may unilaterally convene and preside over the shareholders' meeting.

In accordance with the PRC Company Law, a notice of the shareholders' meeting stating the date and venue of the meeting and the matters to be considered at the meeting shall be given to all shareholders 20 days prior to the meeting. A notice of extraordinary meeting shall be given to all shareholders 15 days prior to the meeting. Shareholders individually or jointly holding more than one percent of the shares of the company may submit an interim proposal in writing to the board of directors within 10 days before the shareholders' meeting. The board of directors shall notify other shareholders within two days upon receipt of the proposal, and submit the interim proposal to the shareholders' meeting for deliberation. The contents of the interim proposal shall fall within the scope of powers of the shareholders' meeting, and the proposal shall provide clear agenda and specific matters for a resolution is to be made. A shareholders' meeting shall not make any resolution in respect of any matter not set out in the notices.

Pursuant to the Official Reply of the State Council regarding Adjusting the Application of Provisions to Matters Including the Notice Period for Convention of Shareholders' Meetings by Overseas Listed Companies (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》(Guo Han [2019] No. 97)), which came into effect on October 17, 2019, for those joint stock limited companies registered in the PRC but listed outside the PRC, the requirements for the notice period for convening a shareholders' meeting, shareholders' proposal right, and the procedures for convening a shareholders' meeting shall be collectively governed by the relevant provisions of the PRC Company Law.

Pursuant to the PRC Company Law, shareholders present at a shareholders' meeting have one vote for each share they hold, save that the Company's shares held by the company are not entitled to any voting rights.

An accumulative voting system may be adopted for the election of directors and supervisors at the shareholders' meeting pursuant to the provisions of the articles of association or a resolution of the shareholders' meeting. Under the accumulative voting system, each share shall be entitled to the number of votes equivalent to the number of directors or supervisors to be elected at the shareholders' meeting, and shareholders may consolidate their votes for one or more directors or supervisors when casting a vote.

Pursuant to the PRC Company Law, resolutions of the shareholders' meeting must be passed by more than half of the voting rights held by shareholders present at the meeting, with the exception of resolutions relating to merger, division or dissolution of the company, increase or reduction of registered share capital, change of corporate form or amendments to the articles of association, in each case of which must be passed by more than two-thirds of the voting rights held by the shareholders present at the meeting. A shareholder may entrust a proxy to attend the shareholders' meeting on his/her behalf. The proxy shall present the shareholders' power of attorney to the company and exercise voting rights within the scope of authorization.

Minutes shall be prepared in respect of matters considered at the shareholders' meeting and the chairperson and directors attending the meeting shall endorse such minutes by signature. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

BOARD OF DIRECTORS

A company shall have a board of directors, which shall consist of over three members. Members of the board of directors may include staff representatives, who shall be democratically elected by the company's staff at a staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, provided that no term of office shall last for more than three years. A director may serve consecutive terms if re-elected. A director shall continue to perform his/her duties as a director in accordance with the laws, administrative regulations and the articles of association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of director results in the number of directors being less than the quorum.

Under the PRC Company Law, the board of directors may exercise its powers:

(1) to convene shareholders' meetings and report on its work to the shareholders' meetings;

(2) to implement the resolutions passed by the shareholders at the shareholders' meetings;

(3) to decide on the company's operational plans and investment proposals;

(4) to formulate the company's profit distribution proposals and loss recovery proposals;

(5) to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;

(6) to formulate proposals for the merger, division or dissolution of the company or change of corporate form;

(7) to decide on the setup of the company's internal management organs;

(8) to appoint or dismiss the company's manager and decide on his/her remuneration and, based on the manager's recommendation, to appoint or dismiss any deputy general manager and financial officer of the company and to decide on their remunerations;

(9) to formulate the company's basic management system; and

(10) to exercise any other authority stipulated in the articles of association.

Meetings of the board of directors shall be convened at least twice each year. Notices of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of the voting rights, more than one-third of the directors or the supervisory committee. The chairman shall convene the meeting within 10 days of receiving such proposal, and preside over the meeting. The board of directors may otherwise determine the means and the period of notice for convening an interim board meeting. Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. Each director shall have one vote for a resolution to be approved by the board. Directors shall attend board meetings in person. If a director is unable to attend for any reason, he/she may appoint another director to attend the meeting on his/her behalf by a written power of attorney specifying the scope of authorization. Meanwhile, the board of directors shall keep minutes of resolutions passed at board meetings. The minutes shall be signed by the directors present at the meeting.

If a resolution of the board of directors violates the laws, administrative regulations or the articles of association or resolutions of the shareholders' meeting, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director shall be relieved from that liability.

Under the PRC Company Law, the following person may not serve as a director in a company: (1) a person who is unable or has limited ability to undertake any civil liabilities; (2) a person who has been convicted of an offense of corruption, bribery, embezzlement, misappropriation of property or destruction of the socialist economic order, or who has been deprived of his political rights due to his crimes, in each case where less than five years have elapsed since the date of completion of the sentence and less than two years have elapsed since the date of the completion of the probation period if probation is announced; (3) a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise; (4) a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law or has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation; and (5) a person who is listed as a defaulter by a people's court since he is personally liable for a substantial loan which is due for payment but remains unpaid.

Where a company elects or appoints a director to which any of the above circumstances applies, such election or appointment shall be null and void. A director to which any of the above circumstances applies during his/her term of office shall be released of his/her duties by the company.

Under the PRC Company Law, the board shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman shall be elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and review the implementation of board resolutions. The vice chairman shall assist the chairman to perform his/her duties. Where the chairman is incapable of performing, or is not performing his/her duties, the duties shall be performed by the vice chairman. Where the vice chairman is incapable of performing, or is not performing his/her duties, a director jointly elected by more than half of the directors shall perform his/her duties.

SUPERVISORY COMMITTEE

A company shall have a supervisory committee composed of not less than three members. A joint stock limited company may establish an audit committee composed of directors under the board of directors in accordance with the articles of association, exercising the powers of the supervisory committee stipulated in this law, without setting up a supervisory committee or supervisors. A joint stock limited company with smaller scale or fewer shareholders may not establish a supervisory committee, but appoint one supervisor to exercise the powers of the supervisory committee under the Company Law. The supervisory committee shall consist of representatives of the shareholders and an appropriate proportion of representatives of the company's staff, among which the proportion of representatives of the company's staff shall not be less than one-third, and the actual proportion shall be determined in the articles of association. Representatives of the company's staff at the supervisory committee shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. The supervisory committee shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the supervisory committee shall be elected by more than half of all the supervisors. Directors and senior management members shall not act concurrently as supervisors.

The chairman of the supervisory committee shall convene and preside over meetings of the supervisory committee. Where the chairman of the supervisory committee is incapable of performing, or is not performing his/her duties, the vice chairman of the supervisory committee shall convene and preside over meetings of the supervisory committee. Where the vice chairman of the supervisory committee is incapable of performing, or is not performing his/her duties, a supervisor elected by more than half of the supervisors shall convene and preside over meetings of the supervisory committee.

According to the PRC Company Law, the supervisory committee shall meet at least once every six months. The supervisor may propose to hold an extraordinary meeting of the supervisory committee. The resolution of the supervisory committee shall be adopted by more than half of the members of the supervisory committee. Meanwhile, the supervisory committee shall keep minutes of resolutions passed at the meetings. The minutes shall be signed by the supervisors present at the meeting.

Each term of office of a supervisor is three years and he/she may serve consecutive terms if re-elected. A supervisor shall continue to perform his/her duties as a supervisor in accordance with the laws, administrative regulations and the articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of supervisor results in the number of supervisors being less than the quorum.

The supervisory committee may exercise its powers:

(1) to review the company's financial position;

(2) to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the articles of association or resolutions of the shareholders' meetings;

(3) when the acts of a director or a senior management personnel are detrimental to the company's interests, to require the director and senior management to correct these acts;

(4) to propose the convening of extraordinary shareholders' meetings and to convene and preside over shareholders' meetings when the board fails to perform the duty of convening and presiding over shareholders' meetings under the PRC Company Law;

(5) to submit proposals to the shareholders' meetings;

(6) to bring actions against directors and senior management personnel pursuant to the relevant provisions of the PRC Company Law; and

(7) to exercise any other authority stipulated in the articles of association.

Supervisors may be present at board meetings and make inquiries or proposals in respect of the resolutions of the board. The supervisory committee may investigate any irregularities identified in the operation of the company and, when necessary, may engage an accounting firm to assist its work at the cost of the company.

MANAGER AND SENIOR MANAGEMENT

Under the relevant requirements of the PRC Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager shall be accountable to the board of directors and shall exercise his/her functions and powers in accordance with the provisions of the articles of association or as authorized by the board of directors. The manager shall be present at board meetings.

Other provisions in the articles of association on the manager's powers shall also be complied with. The manager shall be present at meetings of the board of directors. However, the manager shall have no voting rights at meetings of the board of directors unless he/she concurrently serves as a director.

According to the PRC Company Law, senior management refers to manager, deputy manager, financial officer, secretary to the board of a listed company and other personnel as stipulated in the articles of association.

DUTIES OF DIRECTORS, SUPERVISORS, GENERAL MANAGERS AND OTHER SENIOR MANAGEMENT

Directors, supervisors and senior management are required under the PRC Company Law to comply with the relevant laws, administrative regulations and the articles of association, and shall be obliged to be faithful and diligent towards the Company. Directors, supervisors and management personnel are prohibited from abusing their authority in accepting bribes or other unlawful income and from embezzling the company's property. Furthermore, directors and senior management are prohibited from:

(1) embezzling company's properties and misappropriating company's funds;

(2) depositing company funds into accounts under their own names or the names of other individuals;

(3) bribing or accepting other illegal income using their position;

(4) accepting for their own benefit commissions from a third party for transactions conducted with the company;

(5) unauthorized divulgence of confidential information of the company; and

(6) other acts in violation of their duty of loyalty to the company.

Income generated by directors or senior management in violation of aforementioned shall be returned to the company.

A director, supervisor or senior management who contravenes law, administrative regulation or the articles of association in the performance of his/her duties resulting in any loss to the company shall be liable to the company for compensation.

Where a director, supervisor or senior management is required to attend a shareholders' meeting, such director, supervisor or senior management shall attend the meeting and answer the inquiries from shareholders. Directors and senior management shall furnish all true information and data to the supervisory board, without impeding the discharge of duties by the supervisory board or supervisors.

Where a director or senior management contravenes laws, administrative regulations or the articles of association in the performance of his/her duties resulting in any loss to the company, shareholder(s) holding individually or in aggregate more than 1% of the company's shares consecutively for more than 180 days may request in writing that the supervisory board institute litigation at the people's court. Where the supervisory violates the laws or administrative regulations or the articles of association in the discharge of its duties resulting in any loss to the company, such shareholder(s) may request in writing that the board of directors institute litigation at the people's court on its behalf. If the supervisory board or the board of directors refuses to institute litigation after receiving this written request from the shareholder(s), or fails to institute litigation within 30 days of the date of receiving the request, or in case of emergency where failure to institute litigation immediately will result in irrecoverable damage to the company's interests, such shareholder(s) shall have the power to institute litigation directly at the people's court in its own name for the company's benefit. For other parties who infringe the lawful interests of the company resulting in loss to the company, such shareholder(s) may institute litigation at the people's court in accordance with the procedure described above. Where a director or senior management contravenes any laws, administrative regulations or the articles of association in infringement of shareholders' interests, a shareholder may also institute litigation at the people's court.

The Trial Measures for Overseas Listing stipulates that the filing materials for overseas issuance and listing of domestic enterprises shall be true, accurate and complete, and shall not contain false records, misleading statements or material omissions. Domestic enterprises, their controlling shareholders, de facto controllers, directors, supervisors and senior management shall fulfill their information disclosure obligations in accordance with the laws, be honest, trustworthy and diligent, and ensure that the filing materials are true, accurate and complete.

FINANCE AND ACCOUNTING

Under the PRC Company Law, a company shall establish its own financial and accounting systems according to the laws, administrative regulations and the regulations of the financial departments under the State Council. At the end of each accounting year, a company shall prepare its financial and accounting reports which shall be audited by an accounting firm in accordance with laws. The financial and accounting reports shall be prepared in accordance with laws, administrative regulations and the regulations of the financial departments under the State Council. The company's financial and accounting reports shall be made available for shareholders' inspection at the company within 20 days before the convening of an annual meeting. A joint stock limited company that makes public stock offerings shall announce its financial and accounting reports.

When distributing each year's profits after taxation, the company shall set aside 10% of its profits after taxation for the company's statutory common reserve fund until the fund has reached more than 50% of the company's registered capital. When the company's statutory common reserve fund is not sufficient to make up for the company's losses for the previous years, the current year's profits shall first be used to make good the losses before any allocation is set aside for the statutory common reserve fund. After the company has made allocations to the statutory common reserve fund from its profits after taxation, it may, upon passing a resolution at a shareholders' meeting, make further allocations from its profits after taxation to the discretionary common reserve fund. After the company has made good its losses and made allocations to its discretionary common reserve fund, the remaining profits after taxation shall be distributed in proportion to the number of shares held by the shareholders, except for those which are not distributed in a proportionate manner as provided by the articles of association.

Shares held by the company shall not be entitled to any distribution of profits.

The premium over the nominal value of the shares of a joint stock limited company from the issue of shares, the amount of proceeds from issuing non-par-value shares not included in registered capital and other incomes required by the financial department of the State Council to be treated as the capital reserve fund shall be accounted for as the capital reserve fund of the company.

Profits distributed to shareholders by a resolution of a shareholders' meeting or the board of directors before losses have been made good and allocations have been made to the statutory common reserve fund in violation of the requirements described above must be returned to the company. The company shall not be entitled to any distribution of profits in respect of its own shares held by it.

The premium over the nominal value per share of the company on issue, the amount of proceeds from issuing non-par-value shares not included in registered capital and other income as required by relevant governmental department to be treated as the capital reserve fund shall be accounted for as the capital reserve fund. The common reserve fund of a company shall be applied to make good the company's losses, expand its business operations or increase its capital. Where the reserve funds are used to make up losses, the discretionary reserve funds and statutory reserve funds shall be used in priority; if not sufficient, the capital reserve funds may be used according to regulations. Upon the transfer of the statutory common reserve fund into capital, the balance of the fund shall not be less than 25% of the registered capital of the company before such transfer.

The company shall have no accounting books other than the statutory books. The company's assets shall not be deposited in any account opened under the name of an individual.

APPOINTMENT AND DISMISSAL OF AUDITORS

Pursuant to the PRC Company Law, the engagement or dismissal of an accounting firm responsible for the company's auditing shall be determined by a shareholders' meeting, the board of directors or the supervisory committee in accordance with the articles of association. The accounting firm should be allowed to make representations when the shareholders' meeting, the board of directors or the supervisory committee conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidence, accounting books, financial and accounting reports and other accounting information to the engaged accounting firm without any refusal or withholding or falsification of data.

The Guidelines for Articles of Association provides that the company shall guarantee to provide true and complete accounting evidence, accounting books, financial and accounting reports and other accounting data to the engaged accounting firm without any refusal or withholding or falsification of data. The audit fees of the accounting firm shall be decided by a shareholders' meeting.

PROFIT DISTRIBUTION

According to the PRC Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve fund is provided. Also, the Overseas Listing Trial Measures provides that domestic enterprises that are listed overseas may raise funds and distribute dividends in foreign currencies or Renminbi.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Pursuant to the PRC Company Law, the resolution of a shareholders' meeting regarding any amendment to a company's articles of association requires affirmative votes by more than two-thirds of the votes held by shareholders attending the meeting.

DISSOLUTION AND LIQUIDATION

Under the PRC Company Law, a company shall be dissolved for any of the following reasons:

(1) the term of its operation set out in the articles of association has expired or other events of dissolution specified in the articles of association have occurred;

(2) the shareholders have resolved at a shareholders' meeting to dissolve the company;

(3) the company shall be dissolved by reason of its merger or division;

(4) the business license of the company is revoked or the company is ordered to close down or to be dissolved in accordance with the laws; or

(5) the company is dissolved by the people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all shareholders of the company, on the grounds that the operation and management of the company has suffered serious difficulties that cannot be resolved through other means, rendering ongoing existence of the company a cause for significant losses to the shareholders' interests.

In the event of paragraph (1) and (2) above, and has yet to distribute its property to its shareholders, the company may continue to exist by amending the articles of association or by a shareholders' meeting resolution. The amendments to the articles of association in accordance with the provisions described above or the approval of the shareholders' meeting resolution shall require the approval of more than two-thirds of voting rights of shareholders attending a shareholders' meeting.

Where the company is dissolved under the circumstances set forth in paragraph (1), (2), (4) or (5) above, it should establish a liquidation committee within 15 days of the date on which the dissolution matter occurs. The liquidation committee shall be composed of directors, unless the articles of association provide otherwise or the shareholders' meeting resolved to elect another person. If a liquidation committee is not established within the stipulated period, the company's creditors can apply to the people's court for setting up a liquidation committee with designated relevant personnel to conduct the liquidation. The people's court should accept such application and form a liquidation committee to conduct liquidation in a timely manner.

The liquidation committee may exercise following powers during the liquidation:

(1) to sort out the company's assets and to prepare a balance sheet and an inventory of assets;

(2) to notify the company's creditors or publish announcements;

(3) to deal with any outstanding business related to the liquidation;

(4) to pay any overdue tax together with any tax arising during the liquidation process;

(5) to settle the company's claims and liabilities;

(6) to handle the company's remaining assets after its debts have been paid off; and

(7) to represent the company in any civil procedures.

The liquidation committee shall notify the company's creditors within 10 days of its establishment, and publish an announcement in newspapers or on the National Enterprise Credit Information Publicity System within 60 days.

A creditor shall lodge his claim with the liquidation committee within 30 days of receipt of the notification or within 45 days of the date of the announcement if he has not received any notification.

A creditor shall report all matters relevant to his claimed creditor's rights and furnish relevant evidence. The liquidation committee shall register such creditor's rights. The liquidation committee shall not make any settlement to creditors during the period of the claim.

Upon disposal of the company's property and preparation of the required balance sheet and inventory of assets, the liquidation committee shall draw up a liquidation plan and submit this plan to a shareholders' meeting or a people's court for endorsement. The remaining part of the company's assets, after payment of liquidation expenses, employee wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debts, shall be distributed to shareholders in proportion to shares held by them. The company shall continue to exist during the liquidation period, although it cannot conduct operating activities that are not related to the liquidation. The company's property shall not be distributed to shareholders before repayments are made in accordance with the requirements described above.

Upon liquidation of the company's property and preparation of the required balance sheet and inventory of assets, if the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to a people's court for a declaration of bankruptcy in accordance with the laws. Following such declaration by the people's court, the liquidation committee shall hand over the administration of the liquidation to the receiver appointed by the people's court.

Upon completion of the liquidation, the liquidation committee shall prepare a liquidation report and submit it to the shareholders' meeting or the people's court for verification, and to the company registration authority for the cancellation of company registration, and an announcement of its termination shall be published. Members of the liquidation committee shall be faithful in the discharge of their duties and shall perform their liquidation duties in compliance with laws. Members of the liquidation committee shall be prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company's properties. Members of the liquidation committee who have caused the company or its creditors to suffer from any loss due to intentional fault or gross negligence, should be liable for making compensations to the company or its creditors. In addition, liquidation of a company declared bankrupt according to laws shall be processed in accordance with the laws on corporate bankruptcy.

OVERSEAS LISTING

Pursuant to the Overseas Listing Trial Measures, "securities" refers to the stocks, depositary receipts, corporate bonds convertible into stocks or other equity securities that are directly or indirectly offered and listed overseas by domestic enterprises. Direct overseas offering and listing by a domestic enterprise refers to overseas offering and listing by a joint stock limited company registered and formed in China. Indirect overseas offering and listing by a domestic enterprise refers to overseas offering and listing by an enterprise in the name of an overseas registered company, whereas the enterprise's main business activities are in China and such offering and listing is based on the equity, assets, earnings or other similar rights and interests of a domestic enterprise.

The Overseas Listing Trial Measures also provides for the conditions for overseas offering and listing. No overseas offering and listing shall be conducted under any of the following circumstances:

(1) financing through listing is expressly prohibited by laws, administrative regulations or relevant rules of the state;

(2) the overseas offering and listing may endanger national security as determined by the relevant competent department under the State Council after examination according to the law;

(3) a domestic enterprise or its controlling shareholder or actual controller has committed a criminal crime of corruption, bribery, embezzlement, misappropriation of property or disrupting the economic order of the socialist market in the last three years;

(4) a domestic enterprise is under formal investigation according to the law for being suspected of any crime or major violation of laws and regulations, but no clear conclusions have been made;

(5) there is a major dispute over ownership of the equity held by the controlling shareholder or a shareholder controlled by the controlling shareholder or the actual controller.

In addition, pursuant to the Overseas Listing Trial Measures, a Chinese domestic enterprise submitting an IPO application to an overseas competent regulatory authority or an overseas stock exchange shall file with the CSRC within 3 working days after submission of the application documents. Upon offering and listing overseas, such issuer who offers securities in the same overseas market shall file with the CSRC within 3 working days upon completion of the offering. Where an issuer, upon offering and listing overseas, offers its shares in other overseas markets, such issuer shall file in accordance with provision 1 of this article. In addition, upon receipt of all compliant filing materials, the CSRC shall complete the filing procedures within 20 working days from the date of receipt of such filing data, and make public the filing information on its website. If the filing materials so submitted were identified as incomplete or non-compliant, the CSRC shall make a request to the issuer for supplementary information within 5 working days from the date of receipt of such filing information. The issuer shall submit such supplementary information within 30 working days.

Upon the occurrence of the following major events subsequent to the overseas listing of a Chinese domestic enterprise, it shall report the specific situation to the CSRC within 3 working days from the date of occurrence and announcement of the relevant matters:

(1) a change of control;

(2) any investigation or punishment initiated by overseas securities regulatory authorities or relevant competent departments;

(3) a change of listing status or listing venue;

(4) voluntary or involuntary delisting of shares.

On August 10, 2023, the CSRC revised the Guidelines for the Application of "Full Circulation" of Domestic Unlisted Shares of H-share Companies (SFC Announcement No. [2023]50) (《H股公司境內未上市股份申請"全流通"業務指引》(證監會公告[2023]50號)) (the "**Full Circulation Guidelines**"), effective from the same date. Such provisions aim to regulate the circulation of domestic unlisted shares of domestic joint stock limited companies (including the unlisted domestic shares held by domestic shareholders before overseas listing, the unlisted domestic shares issued domestically after overseas listing and the unlisted shares held by foreign shareholders) listed on the Hong Kong Stock Exchange (hereinafter referred to as the "H-share Companies") on the Hong Kong Stock Exchange (hereinafter referred to as the "**Full Circulation**").

Pursuant to the Full Circulation Guidelines, upon compliance with relevant laws and regulations, state-owned assets management, foreign investment and industry-specific supervision and other policy requirements, holders of domestic unlisted shares may independently negotiate to determine the number and proportion of shares applied for circulation, and entrust the H-share Companies to file with the CSRC on Full Circulation. A domestic joint stock limited company that has not yet been listed may file with the CSRC on Full Circulation when applying for an overseas initial public offering and listing.

According to the Notice for the Administration of Filing of the Overseas Offering and Listing of Domestic Enterprises (《關於境內企業境外發行上市備案管理安排的通知》) issued by the CSRC on February 17, 2023 and effective from the same day, domestic enterprises that have offered its shares and listed overseas prior to March 31, 2023 are stock enterprises ("**Stock Enterprises**"). Stock Enterprises are not required to file immediately, and shall file subsequently as required for other purposes for which filing is required such as refinancing. Domestic enterprises that have obtained approval from the CSRC on overseas public offering of shares and listing (including placement) in respect of joint stock limited companies may continue to proceed with overseas offering and listing within the effective period of such approval. Where such overseas offering and listing were not completed before the expiration of the effective period, the entity shall file as required.

In accordance with the Provisions on Strengthening the Confidentiality and Archives Administration Concerning the Overseas Securities Offering and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) promulgated by the CSRC, the Ministry of Finance, the National Administration of State Secrets Protection and the National Archives Administration on February 24, 2023 and effective from March 31, 2023, where a domestic enterprise provides or publicly discloses, either directly or through its overseas listed entities, documents and data involving state secrets and working secrets of state organs to relevant securities companies, securities service agencies, and overseas regulatory agencies, it shall obtain approval from the competent authorities according to laws and file with the confidentiality administrative department at the same level for record. Where a domestic enterprise provides accounting archives or copies of accounting archives to relevant securities companies, securities service agencies, overseas regulatory agencies and other bodies and individuals, it shall perform corresponding procedures in accordance with relevant state regulations.

LOSS OF SHARE CERTIFICATES

A shareholder may, in accordance with the public notice procedures set out in the PRC Civil Procedure Law, apply to a people's court if his share certificate(s) in registered form is either stolen, lost or destroyed, for a declaration that such certificate(s) will no longer be valid. After the people's court declares that such certificate(s) will no longer be valid, the shareholder may apply to the company for the issue of a replacement certificate(s).

SUSPENSION AND TERMINATION OF LISTING

The Company Law has deleted provisions governing suspension and termination of listing. The Securities Law (as revised on December 28, 2019) has also deleted provisions regarding suspension of listing. Where listed securities fall under the delisting circumstances stipulated by the stock exchange, the stock exchange shall terminate its listing and trading in accordance with the business rules.

According to the Overseas Listing Trial Measures, in case of active or compulsory termination of listing, the issuer shall report the specific situation to the CSRC within 3 working days from the date of occurrence and announcement of the relevant matters.

MERGER AND DIVISION

Under the PRC Company Law, a merger agreement shall be signed by merging companies and the involved companies shall prepare respective balance sheets and inventory of assets. The companies shall within 10 days of the date of passing the resolution approving the merger notify their respective creditors and publicly announce the merger in newspapers or on the National Enterprise Credit Information Publicity System within 30 days. A creditor may, within 30 days from the date of reception of the notification, or within 45 days from the date of the announcement if he has not received such notification, request the company to settle any outstanding debts or provide corresponding guarantees.

In case of a merger, the credits and debts of the merging parties shall be assumed by the surviving or the new company. In case of a division, the company's assets shall be divided and a balance sheet and an inventory of assets shall be prepared. When a resolution regarding the company's division is approved, the company should notify all its creditors within 10 days of the date of passing such resolution and publicly announce the division in newspapers or on the National Enterprise Credit Information Publicity System within 30 days.

Unless an agreement in writing is reached with creditors before the company's division in respect of the settlement of debts, the liabilities of the company which have accrued prior to the division shall be jointly borne by the divided companies.

Changes in the registration as a result of the merger or division shall be registered with the company registration authority in accordance with the laws.

THE PRC SECURITIES LAWS, REGULATIONS AND REGULATORY REGIMES

The PRC has promulgated a series of regulations that relate to the issue and trading of the shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions governing securities markets, supervising securities companies, regulating public offerings of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the Securities Committee and the CSRC and reformed the CSRC.

On April 22, 1993, the State Council promulgated the Provisional Regulations Concerning the Issue and Trading of Shares (《股票發行與交易管理暫行條例》), which regulates the application and approval procedures for public offerings of shares, issuing of and trading of shares, the acquisition of listed companies, deposit, clearing and transfer of shares, the disclosure of information, investigation, penalties and dispute resolutions with respect to a listed company.

On December 25, 1995, the State Council promulgated the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》). These regulations principally regulate the issue, subscription, trading and declaration of dividends and other distributions of domestic listed foreign shares and disclosure of information of joint stock limited companies having domestic listed foreign shares.

The PRC Securities Law took effect on July 1, 1999 and was revised on August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014 and December 28, 2019, respectively. The latest Securities Law was implemented on March 1, 2020. It was the first national securities law in the PRC, and is divided into 14 chapters and 226 articles comprehensively regulating activities in the PRC securities market, including the issue and trading of securities, takeovers by listed companies and the duties and responsibilities of the stock exchanges, securities companies, securities clearing institutions and securities regulatory authorities. Article 224 of the Securities Law provides that domestic enterprises shall satisfy the relevant requirements of the State Council when it issues shares or lists shares outside the PRC directly or indirectly. Currently, the issue and trading of foreign issued securities (including shares) are principally governed by the regulations and rules promulgated by the State Council and the CSRC.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the PRC (2017 Amendment) (《中華人民共和國仲裁法(2017修正)》) (the "**PRC Arbitration Law**") was enacted by the Standing Committee of the NPC on August 31, 1994, which became effective on September 1, 1995 and was amended on August 27, 2009 and September 1, 2017. It is applicable to, among other matters, economic disputes involving foreign parties where all parties have entered into a written agreement to resolve disputes by arbitration before an arbitration committee constituted in accordance with the PRC Arbitration Law. The PRC Arbitration Law provides that an arbitration committee may, before the promulgation of arbitration regulations by the PRC Arbitration Association, formulate interim arbitration provisions in accordance with the PRC Arbitration Law and the PRC Civil Procedure Law. Where the involved parties have agreed to settle disputes by means of arbitration, a people's court will refuse to handle a legal proceeding initiated by one of the parties at such people's court, unless the arbitration agreement has lapsed.

Under the PRC Arbitration Law and PRC Civil Procedure Law, an arbitral award shall be final and binding on the parties involved in the arbitration. If one party fails to comply with the arbitral award, the other party to the award may apply to a people's court for its enforcement. However, the people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any procedural irregularity (including but not limited to irregularity in the composition of the arbitration tribunal, or the making of an award on matters beyond the scope of the arbitration agreement or outside the jurisdiction of the arbitration commission).

Any party seeking to enforce a legally effective arbitration award of a foreign affairs arbitration organ against a party who or whose property is not located within the PRC may apply to a foreign court with jurisdiction over the relevant matters for recognition and enforcement of the award. Likewise, a people's court may also request a foreign court to recognize and enforce an arbitral award made by an overseas arbitration institution in accordance with the principle of reciprocity or any international treaties concluded or acceded to by the PRC.

The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (《承認及執行外國仲裁裁決公約》) (the "**New York Convention**") passed on June 10, 1958 pursuant to a resolution passed by the Standing Committee of the NPC on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by other parties thereto subject to their rights to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of that state. At the time of the PRC's accession to the Convention, the Standing Committee of the NPC declared that (1) the PRC will only apply the New York Convention to the recognition and enforcement of arbitral awards made in the territories of other parties based on the principle of reciprocity; and (2) the New York Convention will only apply to disputes deemed under PRC laws to be arising from contractual or non-contractual mercantile legal relations.

An arrangement for mutual enforcement of arbitral awards between Hong Kong and the Supreme People's Court of China was reached. The Supreme People's Court of China adopted the Arrangements on the Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《關於內地與香港特別行政區相互執行仲裁裁決的安排》) on June 18, 1999, which went into effect on February 1, 2000, which was amended by the Supplemental Arrangement of the Supreme People's Court for the Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的補充安排》) implemented in November 27, 2020 and the Supplemental Arrangement of the Supreme People's Court for the Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (2021) (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的補充安排(2021年)》) implemented in May 19, 2021. The arrangements reflects the spirit of the New York Convention. Under the arrangements, the awards by the Mainland arbitral bodies recognized by Hong Kong may be enforced in Hong Kong and the awards by the Hong Kong arbitral bodies may also be enforced in the Mainland China. If the Mainland court finds that the enforcement of awards made by the Hong Kong arbitral bodies in the Mainland will be against public interests of the Mainland, the awards may not be enforced.

JUDICIAL JUDGMENT AND ITS ENFORCEMENT

Under the Supreme People's Court's Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) promulgated by the Supreme People's Court on July 3, 2008 and effective on August 1, 2008 and was abolished on January 29, 2024, as for an enforceable final judgment made by a court in Mainland China or Hong Kong court concerning a civil and commercial case under a written agreement on jurisdiction, in which payment must be made, the party concerned may, under the Arrangement, apply to a court in Mainland China or a Hong Kong court for recognition and enforcement. The term "written agreement on jurisdiction" refers to agreements clearly stipulated in written form by parties concerned that a court in Mainland China or Hong Kong court has sole jurisdiction as to the effectiveness of the Arrangement, so as to settle disputes relevant to a certain legal relationship that has either arisen or might arise. Therefore, the party concerned may apply to the court in Mainland China or the court of the Hong Kong Special Administrative Region to recognize and enforce the final judgment made in Mainland China or Hong Kong that meet certain conditions of the aforementioned regulations.

On January 25, 2024, the Supreme People's Court promulgated the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) , which takes into effect on January 29, 2024 and seeks to establish a mechanism with further clarification on and certainty for recognition and enforcement of judgements in a wider range of civil and commercial matters between Hong Kong Special Administrative Region and the China. The New Arrangement discontinued the requirements for a choice of court agreement for bilateral recognition and enforcement.

SHANGHAI-HONG KONG STOCK CONNECT

On April 10, 2014, the CSRC and the Hong Kong SFC issued the Joint Announcement of China Securities Regulatory Commission and Hong Kong Securities and Futures Commission — Principles that Should be Followed when the Pilot Programme that Links the Stock Markets in Shanghai and Hong Kong is Expected to be Implemented (《中國證券監督管理委員會香港證券及期貨事務監察委員會聯合公告－預期實行滬港股票市場交易互聯互通機制試點時將需遵循的原則》) and approved in principle the launch of the pilot programme that links the stock markets in Shanghai and Hong Kong (hereinafter referred to as the "**Shanghai-Hong Kong Stock Connect**") by the Shanghai Stock Exchange (hereinafter referred to as the "**SSE**"), the Stock Exchange, the CSDC and the HKSCC. Shanghai-Hong Kong Stock Connect comprises the two portions of Northbound Trading Link and Southbound Trading Link. Southbound Trading Link refers to the entrustment of China securities houses by China investors to trade stocks listed on the Stock Exchange within a stipulated range via filing by the securities trading service company established by the SSE with the Stock Exchange. During the initial period of the pilot programme, the stocks of Southbound Trading Link consist of constituent stocks of the Stock Exchange Hang Seng Composite Large Cap Index and the Hang Seng Composite MidCap Index as well as stocks of A+H stock companies concurrently listed on the Stock Exchange and the SSE. The total limit of Southbound Trading Link is RMB250 billion and the daily limit is RMB10.5 billion. During the initial period of the pilot programme, it is required by SFC that China investors participating in Southbound Trading Link are only limited to institutional investors and individual investors with a securities account and capital account balance of not less than RMB500,000.

On November 10, 2014, the CSRC and the SFC issued a Joint Announcement, approving the official launch of Shanghai-Hong Kong Stock Connect by SSE, the Stock Exchange, the CSDCC and the HKSCC. Pursuant to the Joint Announcement, trading of stocks under Shanghai-Hong Kong Stock Connect will commence on November 17, 2014.

On September 30, 2016, the CSRC issued the Filing Provision on the Placement of Shares by Hong Kong Listed Companies with Domestic Original Shareholders under Southbound Trading Link (《關於港股通下香港上市公司向境內原股東配售股份的備案規定》) which came into effect on the same day. The act of the placement of shares by Hong Kong listed companies with domestic original shareholders under Southbound Trading Link shall be filed with the CSRC. Hong Kong listed companies shall file the application materials and approved documents with the CSRC after obtaining approval from the Stock Exchange for their share placement applications. The CSRC will carry out supervision based on the approved opinion and conclusion of the Hong Kong side.

This Appendix contains a summary of the principal provisions of the Articles of Association, which was adopted on 19 January 2024 and will become effective on the date of Listing of the H Shares on the Stock Exchange. As the principal objective of this Appendix is to provide potential investors with an overview of the Articles of Association, it may not contain all the information that is important to potential investors. The full text of the Articles of Association in Chinese is available for inspection, as discussed in the Appendix to the document entitled "Appendix VII — Documents Delivered to the Registrar of Companies and Available on Display."

I. DIRECTORS AND THE BOARD

(I) Composition of the Board

The Company shall have a Board which comprises nine Directors including one chairperson. The Directors shall be elected at the shareholders' meeting for a term of three years. Upon expiry of the term, a Director shall be eligible for re-election.

The Company shall have at least three independent non-executive Directors, and not less than one-third of the total number of Directors. Except as otherwise provided by this section, the provisions relating to the qualifications and obligations of Directors in the Articles of Association shall apply to independent non-executive Directors. At least one independent non-executive Director of the Company shall be an accounting professional. Independent non-executive Directors shall have sufficient business or professional experience for competency, to perform their duties honestly and faithfully, safeguard the Company's interest and in particular, preventing encroachment of the legitimate rights and interests of public shareholders, so as to ensure the sufficient representation of the interests of all Shareholders. At least one independent non-executive Director shall reside in Hong Kong on a regular basis.

(II) Directors' Qualifications and Duties

1. Directors' Qualifications

A Director, Supervisor, president or other officers of the Company shall cease to act as such if any of the following circumstances applies:

(1) a person has no capacity for civil conduct, or has limited capacity for civil conduct;

(2) a person has committed an offence of corruption, bribery, infringement of property, misappropriation of property or sabotaging the social economic order and has been punished because of committing such offence; or who has been deprived of his/her political

rights, in each case where less than five years have elapsed since the date of the completion of implementation of such punishment or deprivation and less than two years have elapsed since the date of the completion of the probation period if probation is announced;

(3) a person acts as a Director, or factory head or manager who assumes individual responsibility for the bankruptcy or liquidation of such company or enterprise where three years have not lapsed following the date of completion of such bankruptcy or liquidation;

(4) a person is the legal representative of a company or enterprise that had its business license revoked and was ordered to be closed for violation of the laws, and assumes personal responsibility, where three years have not lapsed following the date of revocation of the business license;

(5) a person has been listed as a defaulter by a people's court since he is personally liable for a substantial loan which is due for payment but remains unpaid;

(6) a person is under criminal investigation or prosecution by judicial organisation for violation of the criminal law which is not yet concluded;

(7) a person is not eligible for enterprise leadership according to laws and administrative regulations;

(8) a person is a non-natural person;

(9) a person is convicted of the contravention of provisions of relevant securities regulations by competent authorities, and such conviction involves a finding that he/she has acted fraudulently or dishonestly, where five years have not lapsed following the date of the conviction;

(10) the circumstances specified by the laws, administrative regulations, the listing rules or relevant laws and regulations of the place where the shares of the Company are listed.

Any election, appointment or employment by the Company of any Directors, Supervisors or officers in violation of the preceding provision shall be invalid.

2. Directors' Duties

Each of the Director, Supervisor, manager and other officers of the Company shall exercise his/her powers or carry on his/her duties in accordance with the principle of fiduciary and shall not put himself/herself in a position where his/her duty and his/her interest may conflict.

This principle includes (without limitation) discharging the following obligations:

(1) to act honestly in the best interests of the Company;

(2) to exercise powers within the scope of his/her powers and not to exceed those powers;

(3) to exercise the discretion vested in him/her personally and not to allow himself/herself to act under the control of another and, unless and to the extent permitted by laws, administrative regulations or with the informed consent of shareholders' meeting, not to delegate the exercise of his/her discretion;

(4) to treat shareholders of the same class equally and to treat shareholders of different classes fairly;

(5) except in accordance with the Articles of Association of the Company or with the informed consent of shareholders' meeting, not to enter into any contract, transaction or arrangement with the Company;

(6) without the informed consent of shareholders' meeting, not to use the Company's property for his/her own benefit;

(7) not to exploit his/her position to accept bribes or other illegal income or expropriate the Company's property by any means, including (without limitation) opportunities advantageous to the Company;

(8) without the informed consent of shareholders' meeting, not to accept commissions in connection with the Company's transactions;

(9) to abide by the Articles of Association of the Company, faithfully execute his/her official duties and protect the Company's interests, and not to exploit his/her position and power in the Company to advance his/her own private interests;

(10) not to compete with the Company in any form unless with the informed consent of shareholders' meeting;

(11) not to misappropriate the Company's funds or lend such funds to others, not to open accounts in his/her own name or other names for the deposit of the Company's assets and not to provide a guarantee for debts of a shareholder of the Company or other individual(s) with the Company's assets;

(12) unless otherwise permitted with the informed consent of shareholders' meeting, to keep in confidence information acquired by him/her in the course of and during his/her tenure and not to use the information other than in furtherance of the interests of the Company, save that disclosure of such information to the court or other governmental authorities is permitted if:

1) disclosure is made under compulsion of laws;

2) the interests of the public require disclosure;

3) the interests of the relevant Director, Supervisor, president and other officers require disclosure.

(13) to provide relevant true information and materials to the Supervisory Committee and not to interfere with the duties and powers exercised by the Supervisory Committee or Supervisors.

The Company shall not directly or indirectly make a loan to, or provide any loan guarantees in connection with, the making of a loan to a Director, Supervisor, president and other officers of the Company or of the Company's controlling shareholder(s) or any of their respective associates.

The preceding provision shall not apply to the following circumstances:

(I) the provision by the Company of a loan or a loan guarantee of a loan to a company which is a subsidiary of the Company;

(II) the provision by the Company of a loan or a loan guarantee in connection with the making of a loan or any other funds to any of its Director, Supervisor, president and other officers to meet expenditure incurred or to be incurred by him/her for the purposes of the Company or for the purpose of enabling him/her to perform his/her duties properly, in accordance with the terms of a service contract approved by the shareholders' meeting;

(III) the provision of a loan or a loan guarantee by another person to any of its Director, Supervisor, president and other officers or respective associates by the Company in the ordinary course of its business on normal commercial terms, where the ordinary course of business of the Company includes providing loans and providing loan guarantees.

A loan made by the Company in breach of the preceding provisions shall be forthwith repayable by the recipient of the loan regardless of the terms of the loan.

A loan guarantee provided by the Company in breach of the preceding provisions shall be unenforceable against the Company, unless:

1. the loan was provided to an associate of the Directors, Supervisors, president and other officers of the Company or of its parent where the lender did not know the relevant circumstances;

2. the collateral provided by the Company has been lawfully disposed of by the lender to a bona fide purchaser.

(III) Duty of the Board

The Board shall be responsible to the shareholders' meeting and shall exercise the following duties:

1. to be responsible for the convening of the shareholders' meeting and to report on its work to the shareholders' meeting;

2. to implement the resolutions of shareholders' meetings;

3. to determine operation plans and investment plans of the Company;

4. to formulate annual preliminary and final financial budgets of the Company;

5. to formulate the profit distribution plans and plans for recovery of losses of the Company;

6. to formulate proposals of the Company regarding increase or reduction of the registered capital and issuance of bonds of the Company;

7. to formulate plans for material acquisitions, purchase of shares of the Company, or merger, division, dissolution or transformation of the Company;

8. to decide on matters relating to the Company's external investment, acquisitions or disposal of assets, mortgage of assets, external guarantee, entrusted wealth management, related party transactions and external donations as authorized by shareholders' meetings;

9. to decide on the establishment of the Company's internal management structure;

10. to appoint or dismiss the Company's manager, and pursuant to the manager's nominations to appoint or dismiss the deputy manager and other officers of the Company (including financial controller) and decide their remunerations;

11. to formulate the basic management system of the Company;

12. to formulate proposals for any amendments to the Articles of Association of the Company;

13. to manage the disclosure of information of the Company;
14. to propose to shareholders' meetings the appointment or change of the accounting firm acting as the auditor of the Company;

15. to hear the work report of the Company's manager and to review the work of the manager;

16. other powers and functions conferred by the Articles of Association of the Company.

For the above matters, except for items 6, 7, 12 which shall be approved by voting of more than two-thirds of the Directors, others may be approved by voting by over one half of the Directors. The Board shall perform its duties in accordance with the state's laws, administrative regulations, the listing rules of the place where the shares of the Company are listed, these Articles of Association and resolutions of the shareholders' meeting.

(IV) The Procedural Rules of the Board

The board meeting comprises regular meetings and extraordinary meetings. The board meetings shall be held at least 4 times per year, and shall be convened by the Chairperson of the Board. The notice of a regular board meeting shall be given at least 14 days before the meeting, while the notice of an extraordinary meeting shall be given at least 5 days before the meeting. The time limit for notice of the above extraordinary meetings may be waived with the consent of each of the Directors of the Company. When the situation is urgent and an extraordinary board meeting needs to be convened as soon as possible, the notice may be given by telephone or other verbal methods. at any time, but it is necessary for the convener to give explanations at the meeting.

In case of any of the following circumstances, an extraordinary board meeting may be convened:

(I) when the shareholders representing over one-tenth of the voting power put forward a proposal;

(II) when over one-third of the Directors put forward a proposal;

(III) when the Supervisory Committee puts forward a proposal;

(IV) when the Chairperson of the Board thinks it necessary;

(V) when over one-second independent non-executive Directors put forward a proposal;

(VI) when the president puts forward a proposal;

(VII) other circumstances stipulated by laws, regulations, rules and the Articles of Association of the Company.

The board meeting may not be held unless not less than half of the Directors (including proxies) are present.

Each Director shall have one vote. Unless otherwise required by laws, administrative regulations and these Articles of Association, resolutions of the Board shall be passed by more than half of all Directors.

II. SHAREHOLDERS AND SHAREHOLDERS' MEETING

(I) Shareholders

Shareholders shall enjoy the rights and have the obligations according to the class and number of shares held by them. Shareholders holding shares of the same class shall enjoy equal rights and have the same obligations.

The ordinary shareholders of the Company shall be entitled to the following rights:

1. the right to dividends and other distributions in proportion to the number of shares held;

2. the right to legally request, convene, preside over, attend or appoint shareholder's proxy to attend the shareholders' meeting and to exercise the corresponding voting rights;

3. the right to supervise and manage the business operation activities of the Company and to put forward proposals and raise inquiries;

4. the right to transfer, bestow or pledge the shares they hold according to the laws, administrative regulations and the Articles of Association of the Company;

5. the right to obtain relevant information in accordance with the provisions of the Articles of Association of the Company, including:

(1) the right to obtain a copy of the Articles of Association of the Company, subject to payment of the cost of such copy;

(2) the right to inspect and make copies, subject to payment of a reasonable charge:

1) all parts of the register of shareholders;
2) personal particulars of each of the Company's Directors, Supervisors, managers and other officers, including:

① present forename and surname and any former forename or surname and any aliases;

② principal address (residence);

③ nationality;

④ full-time and all other part-time occupations and duties;

⑤ identification document and its number;

3) the status of the Company's share capital;

4) the latest audited financial statement, the report of the Board, the report of auditors, and the report of the Supervisory Committee of the Company;

5) special resolutions of the Company;

6) reports showing the aggregate par value, quantity, highest and lowest prices in respect of each class of shares repurchased by the Company since the last accounting year, and the aggregate amount paid by the Company for this purpose;

7) a copy of the annual inspection report that has been filed with the administration of industry and commerce or other competent authorities in China; and

8) minutes of shareholders' meetings.

6. in the event of termination or liquidation of the Company, the right to participate in the distribution of the remaining assets of the Company in accordance with the number of shares held;

7. the shareholders who disagree with the resolutions in respect of the merger or division of the Company adopted at a shareholders' meeting are entitled to ask the Company to acquire their shares;

8. other rights conferred by laws, administrative regulations, departmental rules and Articles of Association of the Company.

The ordinary shareholders of the Company shall have the following obligations:

1. to abide by the Articles of Association of the Company;

2. to contribute to the share capital according to the number of shares subscribed by them and the methods of capital contribution;

3. not to withdraw their contributed share capital save in such circumstances stipulated by the laws and regulations;

4. not to abuse shareholders' rights to harm the interests of the Company or other shareholders, and not to abuse the Company's independent status as a legal person and the shareholders' limited liability to harm the interests of the creditors of the Company;

   Where shareholders of the Company abuse shareholders' rights, causing loss to the Company or other shareholders, such shareholders shall be liable for compensation in accordance with the laws.

   Where shareholders of the Company abuse the Company's independent status as a legal person and the shareholders' limited liability to evade from debts, resulting in a material damage to the interests of the creditors of the Company, such shareholders shall be jointly and severally liable for the debts of the Company.

5. other obligations to be assumed as stipulated by the laws, administrative regulations and these Articles of Association.

The controlling shareholders and the de facto controllers of the Company shall not take advantage of their related relationship to harm the interests of the Company. If they have violated provisions and caused loss to the Company, they shall be liable for compensation.

The controlling shareholders and the de facto controllers of the Company shall have fiduciary duties towards the Company and the public shareholders of the Company. The controlling shareholder shall exercise the rights as a subscriber in strict compliance with the laws and shall not impair the legitimate interests of the Company and the public shareholders of the Company by taking advantage of profit distributions, asset reorganizations, external investments, possession of funds, loan guarantees and other means, and shall not impair the interests of the Company and the public shareholders of the Company by using its controlling status in the Company.

(II) Shareholders' Meeting

The shareholders' meeting is the organ of authority of the Company and shall exercise the functions and powers in accordance with the laws. The shareholders' meeting shall exercise the following functions and powers:

1. to decide the Company's operational policies and investment plans;

2. to elect and replace Directors and decide on matters relating to their remuneration;

3. to elect and replace Supervisors who are appointed from the shareholders' representatives and decide on matters relating to their remuneration;

4. to consider and approve the reports of the Board;

5. to consider and approve the reports of the Supervisory Committee;

6. to consider and approve proposals on the annual preliminary and final financial budgets of the Company;

7. to consider and approve the profit distribution plans and plans for recovery of losses of the Company;

8. to decide on the increase or reduction of the Company's registered capital;

9. to decide on the issuance of bonds by the Company;

10. to decide on the merger, division, dissolution, liquidation or transformation of the Company;

11. to decide on the issuance of bonds by the Company;

12. to decide on the appointment, dismissal and non-reappointment of the accounting firms of the Company;

13. to amend the Articles of Association of the Company;

14. to consider and approve matters relating to guarantees specified in Article 60 of these Articles of Association;

15. to consider the motions raised by shareholders who represent more than 1% (inclusive) of the total number of voting shares of the Company;
16. to consider and approve matters relating to the purchases and disposals of material assets or provision of guarantee by the Company within one year in an amount exceeding 30% of the latest audited total assets of the Company;

17. to consider the share incentive scheme and employee stock ownership plan;

18. to consider other matters as required by laws, administrative regulations, departmental rules or these Articles of Association to be determined at the shareholders' meeting.

The guarantee offered by the Company to a shareholder or de facto controller of the Company shall be resolved by the shareholders' meeting.

Shareholders' meetings are divided into annual meetings and extraordinary meetings. Shareholders' meetings are convened by the Board, and the annual meeting is held once a year and shall be held within six months after the end of the preceding accounting year.

The Board shall convene an extraordinary meeting within two months in any one of the following circumstances:

1. when the number of Directors is less than the number required by the Company Law or less than two-thirds of the number prescribed in the Articles of Association of the Company;

2. when the unrecovered losses of the Company reach one-third of the total amount of its paid-up share capital;

3. when Shareholders who individually or jointly hold more than 10% (inclusive) of the Company's issued voting shares make request(s) in writing for the convening of an extraordinary meeting;

4. when the Board considers it necessary or the Supervisory Committee proposes to convene such a meeting;

5. other circumstances as required by laws, administrative regulations, departmental rules or the Articles of Association of the Company.

(III) Rules of Procedure of the Shareholders' Meeting

1. Convening of the Shareholders' Meeting

Shareholders' meetings shall be convened by the Board. If the Board is unable to or fails to perform its duty of convening the shareholders' meeting, the Supervisory Committee shall convene and preside over such meeting in a timely manner; if the Supervisory Committee cannot convene such meeting, shareholders individually or jointly holding over 10% of the Company's shares for more than 90 consecutive days may convene and preside over such meeting on their own.

Shareholders individually or jointly holding over 10% of the Company's shares have the right to make a request to the Board for convening an extraordinary meeting and such request shall be made to the Board in writing. The Board shall give a written reply on whether or not it agrees to convene such extraordinary meeting within 10 days after receiving the request in accordance with the requirements under the laws, administrative regulations and these Articles of Association.

If the Board agrees to convene the extraordinary meeting, a notice to convene the shareholders' meeting shall be issued within 5 days after the adoption of the resolution of the Board, and any change to the original request in the notice shall be subject to the consent of the relevant Shareholders.

If the Board disagrees to convene the extraordinary meeting or fails to give a reply within 10 days after receiving the request, Shareholders individually or jointly holding over 10% of the Company's shares shall have the right to propose to the Supervisory Committee to convene the extraordinary meeting and such proposal shall be made to the Supervisory Committee in writing.

The Supervisory Committee is entitled to propose to the Board to convene an extraordinary meeting and such proposal shall be made in writing to the Board. The Board shall give a written reply on whether or not it agrees to convene such extraordinary meeting within 10 days after receiving the proposal in accordance with the requirements under the laws, regulations, normative documents and these Articles of Association.

If the Board agrees to convene the extraordinary meeting, a notice to convene the shareholders' meeting shall be issued within 5 days after the adoption of the resolution of the Board, and any change to the original proposal in the notice shall be subject to the consent of the Supervisory Committee.

If the Board disagrees to convene the extraordinary meeting or fails to give a reply within 10 days after receiving the proposal, it shall be deemed to be unable to perform or fail to perform the duty of convening the shareholders' meeting, and the Supervisory Committee may convene and preside over such meeting on their own.

If the shareholders' meeting is convened by the Supervisory Committee or shareholders on their own, a written notice shall be issued to the Board.

With regard to the shareholders' meeting convened by the Supervisory Committee or Shareholders by themselves, the Board shall cooperate. The Board shall provide the register of shareholders on the shareholding record date.

With regard to the shareholders' meeting convened by the Supervisory Committee or Shareholders by themselves, the necessary expenses of the meeting shall be assumed by the Company.

2. Proposals of the Shareholders' Meeting

When the Company convenes a shareholders' meeting, the Board, the Supervisory Committee and shareholders individually or jointly holding over 1% of the Company's shares are entitled to put forward a proposal to the Company.

Shareholders individually or jointly holding over 1% of the Company's shares can put forward a temporary proposal 10 days before convening the shareholders' meeting and submit the proposal in writing to the convener. The provisional proposals should have clear topics and specific resolutions. The convener shall issue a supplemental notice for the shareholders' meeting within 2 days upon receiving the proposal, inform other Shareholders and, if within the terms of reference of the shareholders' meeting, add such a proposal to the agenda thereof for consideration; however, interim proposal in violation of laws, administrative regulations or the Articles of Associations, or not with in the terms of reference of the shareholders' meeting shall not be included. The Company shall not increase the shareholding of the shareholders putting forward such interim proposal.

Except for the circumstances prescribed in the preceding paragraph, the convener shall not amend the proposals stated in the notice of the shareholders' meeting or add new proposals upon the issuance of the notice of the shareholders' meeting.

The shareholders' meeting shall not vote and resolve on proposals not stated in the notice of the shareholders' meeting or not in compliance with the requirements of these Articles of Association.

3. Notices of the Shareholders' Meeting

Notice of annual meetings shall be given to all shareholders by the convener 20 days before the meeting; notice of extraordinary meetings shall be given to all shareholders 15 days before the meeting. Where otherwise provided by laws, regulations and the securities regulatory authorities of the place where the Company is listed, such provisions shall apply.

Notices of shareholders' meetings to shareholders of overseas listed shares may be published through the designated websites of the Stock Exchange and the Company's website, and upon announcement, all shareholders of overseas listed shares shall be deemed to have received notice of the relevant shareholders' meeting.

Notice of the shareholders' meeting shall:

(I) be given in writing;

(II) specify the venue, date and duration of the meeting;

(III) set out the matters to be discussed at the meeting;

(IV) provide the shareholders with such information and explanation as necessary for them to make informed decisions in connection with the matters to be discussed; this principle shall include (but not be limited to) when proposals are made to merge the Company, to repurchase shares of the Company, to reorganize its share capital or to effect any other reorganization of the Company, the specific conditions and contracts (if any) of the proposed transaction shall be provided, and the causes and consequences of any such proposals shall also be properly explained;

(V) disclose the nature and extent of the material interests, if any, of any Director, Supervisor, manager and other officer in the matters to be discussed; and provide an explanation of the differences, if any, between the way in which the matter to be discussed will affect such Director, Supervisor, manager and other officer in his/her capacity as shareholders and the way in which such matter will affect other shareholders of the same class;

(VI) contain the full text of any special resolution proposed to be passed at the meeting;

(VII) contain a conspicuous statement that all shareholders are entitled to attend the shareholders' meeting, and the shareholder may appoint a proxy in writing to attend the meeting and vote, and that a proxy need not be a shareholder of the Company;

(VIII) specify the time and place for lodging the power of attorney for the voting proxy for the meeting;

(IX) specify the record date of equity of shareholders entitled to attend the shareholders' meeting;

(X) specify the name and telephone number of the standing contact person of the meeting;

(XI) specify the time and procedures for voting online or through other means.

4. Holding of the Shareholders' Meeting

Any shareholder who is entitled to attend and vote at a shareholders' meeting shall be entitled to appoint one or more persons (who may not be a shareholder) as his/her proxy to attend and vote on his/her behalf. A proxy so appointed can exercise the following rights pursuant to the authorization from such shareholder:

(I) such shareholder's right to speak at the shareholders' meeting;

(II) the right to demand a poll alone or jointly with others;

(III) the right to vote by show of hands or on a poll; however, a proxy of a shareholder who has appointed more than one proxy may only vote on a poll.

If the shareholders' meeting is convened by the Board, the chairperson of the Board shall serve as the chairman of the meeting; if the chairperson of the Board is unable or fails to perform his/her duties for any reason, more than half of the Directors shall jointly elect a Director of the Company to serve as the chairman of the meeting; if the chairman of the meeting is not elected, the shareholders attending the meeting may elect a person to act as the chairman of the meeting; if for any reason, shareholders are unable to elect the chairman, the shareholder (including shareholder proxies) attending the meeting holding the largest number of voting shares shall serve as the chairman of the meeting.

The shareholders' meeting convened by the Supervisory Committee shall be presided over by the chairperson of the Supervisory Committee. If the chairperson of the Supervisory Committee is unable or fails to perform his/her duties, a Supervisor shall be jointly elected by more than half of the Supervisors to preside over the meeting.

The shareholders' meeting convened by shareholders on their own shall be presided over by a representative elected by the conveners.

The shareholders' meeting shall have minutes, which shall be recorded by the Board secretary.

The minutes of the meeting shall specify:

(I) the date, venue and agenda of the meeting, and the name of the convener;

(II) the names of the chairman of the meeting, and the Directors, Supervisors, manager and other officers attending or present at the meeting;

(III) the number of shareholders and proxies attending the meeting, the total number of voting shares held by them and the proportion of the total number of shares of the Company;

(IV) the process of discussion in respect of each proposal, highlights of speeches and the voting result;

(V) details of inquiries or suggestions of the shareholders, and the corresponding response or explanations;

(VI) the name of the counting officer and monitoring officer;

(VII) other contents that shall be recorded in the minutes in accordance with these Articles of Association.

5. *Voting of the Shareholders' Meeting*

Resolutions of a shareholders' meeting are divided into ordinary resolutions and special resolutions.

For ordinary resolutions made at a shareholders' meeting, they shall be approved by more than half of the voting rights held by the shareholders (including the proxies) who attend the shareholders' meeting.

For special resolutions made at a shareholders' meeting, they shall be approved by more than two-thirds of the voting rights held by the shareholders (including the proxies) who attend the shareholders' meeting.

The following matters shall be approved by an ordinary resolution at a shareholders' meeting:

(I) the work reports of the Board and the Supervisory Committee;

(II) the profit distribution plans and plans for recovery of losses formulated by the Board;

(III) removal of members of the Board and the Supervisory Committee (except for staff representative), and their remuneration and method of payment thereof;

(IV) the Company's annual financial budgets and final accounts, balance sheets, income statements and other financial statements;

(V) any matters other than those that shall be approved by special resolutions as required by the laws, the administrative regulations, the listing rules of the place where the shares of the Company are listed or the Articles of Association of the Company.

The following matters shall be approved by an special resolution at a shareholders' meeting:

(I) increase or decrease of the registered capital and issue of any class of shares, warrants and other similar securities of the Company;

(II) issuance of bonds of the Company;

(III) division, merger, dissolution, liquidation or transformation of the Company;

(IV) amendments to the Articles of Association of the Company;

(V) when the Company within one year purchases and disposals material assets or provides guarantees whose amount has exceeded 30% of the latest audited total assets of the Company;

(VI) any other matters approved by ordinary resolution at a shareholders' meeting as having a material impact on the Company and are required to be approved by a special resolution;

(VII) any matters other than those that shall be approved by special resolutions as required by the laws, the administrative regulations, the listing rules of the place where the shares of the Company are listed or the Articles of Association of the Company.

Shareholders (including proxies) shall exercise their voting rights in accordance with the number of shares with voting rights represented by them, and each share entitles the shareholder one voting right at the shareholders' meeting. When a poll is taken at a meeting, a shareholder (including his/her proxy) entitled to two or more votes need not cast all his/her votes in the same way.

Where any member is, under the Rules Governing the Listing of Securities on the Stock Exchange, required to abstain from voting on any particular resolution or restricted to vote only for or against any particular resolution, such shareholder should waive his/her voting right or abstain from voting in accordance with the provisions therein; any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted into the poll result.

The shares of the Company held by the Company do not carry voting rights and are excluded from the total number of voting shares present at the shareholders' meeting.

The voting right of the same shares shall be exercised only either by on-site voting or other means of voting. In case of multiple voting by the same shares, only the first vote will be deemed as valid.

III. SUPERVISORY COMMITTEE

The Company shall establish a Supervisory Committee. The Supervisory Committee shall comprise three Supervisors, including one chairman. Each term of office of a Supervisor is three years. The term of office of Supervisors shall be renewable upon reelection and reappointment.

The Supervisory Committee shall be accountable to the shareholders' meeting and shall exercise the following functions and powers in accordance with the laws:

1. to check the financial condition of the Company;

2. to supervise the Company's Directors, the managers and other officers to see whether they have violated any laws, administrative regulations or the Articles of Association of the Company in performing their duties, and to propose the removal of Directors and officers who have violated laws, administrative regulations, these Articles of Association or resolutions of shareholders' meeting;

3. when the acts of a Director, manager and other officers are detrimental to the Company's interests, to require him/her to correct such acts;
4. to verify financial information such as financial reports, business reports and profit distribution plans that the Board intent to submit to the shareholders' meeting and, if in doubt, a registered accountant or practicing auditor shall be appointed in the name of the Company to assist in reviewing such information;

5. to propose the convening of extraordinary shareholders' meetings and to convene and preside over shareholders' meetings when the Board fails to perform the duty of convening and presiding over shareholders' meetings;

6. to negotiate with Directors on behalf of the Company or to initiate litigation against Directors, presidents, and other officers in accordance with the laws and these Articles of Association;

7. to conduct investigation if there is any unusual circumstance in the Company's operations; and if necessary, to engage an accounting firm, law firm or other professional institutions to assist in their work at the expenses of the Company;

8. to exercise other powers authorised by shareholders' meetings.

IV. PRESIDENT

The Company shall have one president, who shall be appointed or removed by the Board.

The president of the Company shall report to the Board and have the following duties and powers:

1. to be in charge of the production, operation and management of the Company, and to organize and implement the resolutions adopted by the Board;

2. to organize and implement the annual business plans and investment plans of the Company;

3. to draft schemes for the establishment of the Company's internal management departments;

4. to draft the basic management systems of the Company;

5. to formulate the basic rules and regulations of the Company;
6. to make proposals regarding the appointment or removal of the vice president and other officers (including financial controller) of the Company;

7. to appoint or remove managerial officers other than those to be appointed or removed by the Board;

8. other duties and powers authorized by the Articles of Association of the Company and the Board.

V. BOARD SECRETARY

The Board secretary shall be a natural person with the necessary professional knowledge and experience and shall be appointed by the Board. Its principal responsibilities include:

1. ensure that the Company has complete organizational documents and records; keep and manage shareholders' data; assist the Directors in handling the daily work of the Board;

2. organize and make preparations for meetings of the Board and the shareholders' meeting, prepare documents for such meetings, make relevant arrangements for such meetings, take minutes of meetings and ensure the accuracy of such minutes, make and keep documents and minutes of such meetings, keep an eye on the implementation of relevant resolutions on his/her own initiative, report and make recommendations to the Board on any material issue arising in such implementation;

3. act as the liaison between the Company and the securities regulatory authorities, to be responsible for organizing the preparation and prompt submission of the reports and documents required by the regulatory authorities, and for accepting and organizing the implementation of any assignment from the regulatory authorities;

4. to be responsible for coordinating and organizing the Company's disclosure of information; establishing and improving the information disclosure system; participating in the Company's meetings involving the disclosure of information; and keeping informed of the Company's material operation decisions and related information in a timely manner;

5. ensure that the register of members of the Company is properly established, and ensure that the person that has the right to receive relevant records and documents from the Company will receive such records and documents timely;

6. exercise other functions and powers as conferred by the Board, as well as other functions and powers as required by the laws, regulations and the stock exchanges on which the Company' shares are listed.

VI. CHANGES IN SHARES

The Company may approve capital increase based on the needs of operation and development and in accordance with the Articles of Association of the Company.

The Company may increase its capital by the following methods:

1. offering new shares for subscription to unspecified investors;

2. issuance of shares to specific recipients;

3. distribution of new shares to the existing shareholders;

4. other ways as permitted by laws and administrative regulations and approved by CSRC.

The Company's increase of capital by issuing new shares shall be conducted in accordance with the procedures provided in the relevant laws and administrative regulations of the state, after being approved according to the procedures provided in the Articles of Association of the Company.

Unless otherwise provided by laws or administrative regulations, the shares of the Company are transferable in accordance with the laws, without any lien.

In accordance with the provisions of the Articles of Association of the Company, the Company may reduce its registered capital. Where the Company reduces its registered capital, it shall be conducted in accordance with the Company Law and other relevant provisions as well as procedures stipulated in these Articles of Association.

The Company shall not repurchase its shares, except for one of the following circumstances:

1. to reduce the registered capital of the Company;

2. to merge with other companies which hold the shares of the Company;

3. to utilize its shares in the employee stock ownership plan or for equity incentive;

4. to acquire its shares at the request of its shareholders who vote in a shareholders' meeting against a resolution regarding a merger and division of the Company;

5. to utilize the shares for conversion of corporate bonds which are convertible into share certificates issued by the listed company;

6. where it is necessary for the listed company to safeguard the value of the company and the interests of its shareholders;

7. other circumstances permitted by laws, administrative regulations and regulatory authority.

Except for the above-mentioned circumstances, the Company may not trade its shares.

Shares issued prior to the public issuance of shares by the Company shall not be transferred within one year from the date the share certificates of the Company were listed on the stock exchange(s).

Directors, Supervisors and officers of the Company shall report to the Company their shareholdings (including the preference shares) and changes therein and shall not transfer more than 25% per year of the total number of the same class shares held by them during their terms of office. The shares held by them shall not be transferred within one year from the date the share certificates of the Company being listed and traded. The aforesaid person(s) shall not transfer the shares of the Company held by them within six months commencing from the termination of their service.

If any of the Company's shareholders, Directors, Supervisors or officers holding more than 5% of the total number of the Company's shares sells the Company's shares or other securities of an equity nature held by him/her within six months after he/she buys the same, or buys the Company's shares held by him/her within six months after he/she sells the same, the proceeds therefrom shall be owned by the Company and taken back by the Board. However, where a securities company holds more than five percent of the total number of the Company's shares as a result of purchase and underwriting of all the left-over shares and other circumstances stipulated by the securities regulatory authorities of the State Council shall be exempted.

The share certificates or other securities of an equity nature held by Directors, Supervisors, officers, and natural person shareholders referred to in the preceding paragraph include the share certificates or other securities of an equity nature held by their spouses, parents, children and those held by using others' accounts.

VII. APPOINTMENT OF ACCOUNTANTS

The Company shall retain an independent accounting firm that fulfills the requirements provided by the relevant regulations of China to audit the Company's annual financial report and review the Company's other financial reports. For the purposes of the Articles of Association, the accounting firm retained by the Company at any time shall be the Company's auditor.

The retaining of the first accounting firm of the Company may occur at the inauguration meeting prior to the first annual meeting of shareholders. The term of such accounting firm shall terminate upon the conclusion of the first annual meeting of shareholders.

Should the inauguration meeting not exercise the powers under the preceding paragraph, the Board shall exercise those powers.

The term of an accounting firm retained by the Company shall be one year, and may be renewed.

The accounting firm engaged by the Company shall have the following rights:

(I) to inspect books, records and vouchers of the Company at any time, and to require the Directors, manager and other officers of the Company to provide relevant information and explanations;

(II) to require the Company to take all reasonable steps to obtain from its subsidiaries any information and explanations necessary for the discharge of its duties;

(III) to attend any shareholders' meeting and to receive all notices of, and other communications relating to, any shareholders' meeting which any shareholder is entitled to receive, and to speak at any shareholders' meeting in relation to matters concerning its role as the Company's retained accounting firm.

Irrespective of the provisions in the contract concluded between the Company and the accounting firm, the shareholders' meeting may remove the accounting firm by an ordinary resolution before the term of any accounting firm expires. Notwithstanding such provisions, the accounting firm's entitlement to claim for damages arising out of its removal shall not be affected thereby.

The remuneration of an accounting firm or the manner in which such firm is to be compensated shall be decided by the shareholders' meeting.

The shareholders' meeting shall decide to retain, remove or discontinue the retention of an accounting firm.

In the event that a resolution at shareholders' meeting is passed to retain an accounting firm other than the incumbent accounting firm to fill any casual vacancy in the office of the accountant, or to remove an accounting firm prior to the expiration of its term, the following provisions shall apply:

(I) the retaining or removal motion shall be sent (before a notice of shareholders' meeting is given) to the accounting firm that is proposed to be retained or to leave or the accounting firm which has left in the relevant accounting year (including any accounting firm leaving due to removal, resignation and retirement).

(II) in the event that the accounting firm that is proposed to leave makes written representations and requests that the Company give notice to shareholders of such representations, the Company shall (unless the representations have been received too late) take the following measures: (1) in any aforementioned notice for making a resolution, the Company shall state the representations made by such accounting firm which is to leave; (2) to attach a copy of the representations to the notice and deliver it to every shareholder entitled to receive the notice in the manner as provided in the Articles of Association.

(III) in the event that the Company fails to send the accounting firm's representations in the manner set out in paragraph (II) above, such accounting firm may (in addition to its right to be heard) make further appeal.

(IV) a leaving accounting firm has the right to attend the following meetings:

(1) shareholders' meeting at which its term would otherwise have expired;

(2) shareholders' meeting at which the said accounting firm is proposed to fill the vacancy caused by its removal;

(3) shareholders' meeting which is convened as a result of the resignation of the said accounting firm.

The leaving accounting firm is entitled to receive all notices of, and other communications relating to any meeting referred to in paragraph (IV), and to speak at any such meeting which it attends on any matters with respect to its capacity as the former accounting firm of the Company.

Notice shall be given to the accounting firm 3 days in advance should the Company decide to remove such accounting firm or not to reappoint it. Such accounting firm shall be entitled to make representations at the shareholders' meeting. Where the accounting firm resigns from its position, it shall clarify to the shareholders at the shareholders' meeting on any irregularities on the part of the Company.

VIII. LIQUIDATION

The Company shall be dissolved and liquidated according to laws upon any of the following circumstances:

(I) a special resolution on dissolution is passed at a shareholders' meeting;

(II) dissolution is necessary due to a merger or division of the Company;

(III) the Company's business license is revoked or it is ordered to close down or deregistered according to laws;

(IV) the Company is ordered to be close down for violation of laws and administrative regulations in accordance with the laws;

(V) where the Company suffers severe difficulties in its operation and management and its continued existence will bring heavy losses to the interest of shareholders, and provided that such difficulties cannot be resolved otherwise, the shareholders holding not less than 10% of all shareholders' voting rights in the Company may apply to the People's Court for dissolution of the Company;

(VI) where the Company is adjudged insolvent in accordance with the applicable laws as a result of its inability to pay its debts when due;

(VII) the term of business operation as prescribed in the Articles of Association expires or other matters as prescribed in the Articles of Association for dissolution occur.

When dissolution event in accordance with preceding paragraph occurred to the Company, the Company shall publicly announce the dissolution event on the National Enterprise Credit Information Publicity System within 10 days.

In the event of the situation set forth in paragraph (I) of Article 168 of the Articles of Association, and has yet to distribute its property to its shareholders, the Company may continue to exist by amending the Articles of Association or by a shareholders' meeting resolution.

Amendments to the Articles of Association in accordance with preceding paragraph or the approval of the shareholders' meeting resolution shall be approved by more than two-thirds of the voting rights held by the shareholders present at the shareholders' meeting.

Where the Company is dissolved pursuant to paragraph (I), (III), (V) and (VII) of Article 168 of these Articles of Association, a liquidation committee shall be set up within 15 days since dissolution events has occurred to start liquidation process. The liquidation committee shall be composed of personnels decided by an ordinary resolution at the shareholders' meeting. If no liquidation committee has been set up to conduct liquidation within the time limit, the creditors may request the People's Court to designate the relevant personnel to form a liquidation committee to carry out the liquidation.

Where the Company is dissolved pursuant to paragraph (I), (II), (IV), (VI) and (VII) of the preceding article, a liquidation committee comprising shareholders, the relevant competent authorities and relevant professionals shall be arranged by the relevant supervisory authority to carry out the liquidation.

Where the Company is dissolved pursuant to paragraph (I), (II), (VI) and (VII) of the preceding article, a liquidation committee comprising shareholders, the relevant authorities and relevant professionals shall be arranged by the People's Court in accordance with relevant laws to carry out the liquidation.

The liquidation committee shall, within ten days of its establishment, notify the creditors, and, within sixty days of its establishment, publish an announcement on newspapers or on the National Enterprise Credit Information Publicity System.

Creditors shall, within thirty days after receipt of the written notice, or for those who do not receive the notice, within forty-five days from the date of the announcements, declare their claims to the liquidation committee. In declaring claims, a creditor shall explain the relevant particulars of the claims with supporting materials. The liquidation committee shall register the creditor's claims in accordance with laws.

During the period of declaration of claims, the liquidation committee shall not repay any debts to the creditors.

The liquidation committee shall exercise the following functions and powers during the liquidation:

(I) to go through the assets of the Company and prepare a balance sheet and an inventory of assets separately;

(II) to inform or make an announcement to the creditors;

(III) to deal with the Company's outstanding business in connection with the liquidation;

(IV) to settle any taxes payable;

(V) to go through the claims and debts;

(VI) to handle the Company's assets remaining after the settlement of its debts;

(VII) to participate in civil litigation on behalf of the Company.

The members of the liquidation committee shall be devoted to their duties and perform their liquidation obligations in accordance with laws.

The members of the liquidation committee shall not accept any bribes or other illegal income by making use of his/her functions and powers nor seize any assets of the Company.

Where a member of the liquidation committee causes losses to the Company or its creditors intentionally or through gross negligence, he or she shall be liable for compensation.

After going through the Company's assets and preparing a balance sheet and an inventory of assets, the liquidation committee shall formulate a liquidation plan and submit the same at the shareholders' meeting or to the relevant competent authorities for confirmation.

The Company's assets shall be distributed in accordance with the order stipulated by laws and regulations. If there is no applicable law, such distribution shall be carried out in accordance with a fair and reasonable order determined by the liquidation committee.

Any assets of the Company remaining after repayment of debts in accordance with the preceding provisions shall be distributed to the shareholders of the Company according to the class of shares and the proportion of shares held.

During the liquidation period, the Company shall continue to exist, but shall not commence any new business activities.

The assets of the Company shall not be distributed to the shareholders before the discharge is made as provided for in the previous paragraph.

If the Company is to be dissolved by liquidation, the liquidation committee, after going through the Company's assets and preparing a balance sheet and an inventory of assets, discovers that the Company's assets are insufficient to repay its debts, it shall apply to the People's Court for a declaration of insolvency.

After the Company is declared insolvency by a ruling of the People's Court, the liquidation committee shall transfer the liquidation matters to the People's Court.

Upon conclusion of the liquidation of the Company, the liquidation committee shall prepare a liquidation report and statement of receipts and expenditures and financial records for the period of liquidation which shall, upon being audited by an accountant registered in the PRC, be submitted to the shareholders' meeting or to the relevant competent authorities for confirmation.

The liquidation committee shall, within thirty days of the date of confirmation by the shareholders' meeting or relevant competent authorities, submit the said documents to the Company registration department, and apply for the cancellation of registration of the Company and to make public announcement in respect of the termination of the Company.

IX. ESSENTIAL PROVISIONS OF THE COMPANY

(I) General Provisions

The Company shall be a perpetually existing company limited by shares.

The Articles of Association of the Company (including the future amendment to these Articles of Association) shall become a legally binding public document that regulates the organization and activities of the Company as well as the rights and obligations between the Company and its shareholders and among the shareholders, from the date on which they become effective.

According to the provisions of the Constitution of the Communist Party of China, the Company shall establish an organization of the Communist Party of China and carry out the activities of the Communist Party of China. The Company shall provide necessary conditions for the activities of the organization of the Party.

(II) Profit Distribution

The Company will annually give full consideration to the interests of shareholders and make the implementation of a reasonable profit distribution policy according to business situation and market environment. The Company shall distribute dividends in form of cash or share certificates.

When distributing each year's profits after taxation, the Company shall set aside 10% of its profits after taxation for the Company's statutory common reserve fund until the fund has reached more than 50% of the Company's registered capital.

When the Company's statutory common reserve fund is not sufficient to make up for the Company's losses for the previous years, the current year's profits shall first be used to make good the losses before any allocation is set aside for the statutory common reserve fund.

After the Company has made allocations to the statutory common reserve fund from its profits after taxation, it may, upon passing a resolution at a shareholders' meeting, make further allocations from its profits after taxation to the discretionary common reserve fund.

After the Company has made good its losses and made allocations to its discretionary common reserve fund, the remaining profits after taxation shall be distributed in proportion to the number of shares held by the shareholders, except for those which are not distributed in a proportionate manner as provided by the Articles of Association.

Profits distributed to shareholders by a resolution of a shareholders' meeting or the board of directors before losses have been made good and allocations have been made to the statutory common reserve fund in violation of the requirements described above must be returned to the Company.

The Company shall not be entitled to any distribution of profits in respect of its own shares held by it.

The common reserve fund of the Company shall be applied to make good the Company's losses, expand its business operations or increase its capital. Where the reserve funds are used to make up losses, the discretionary reserve funds and statutory reserve funds shall be used in priority; if not sufficient, the capital reserve funds may be used according to regulations.

Upon the transfer of the statutory common reserve fund into capital, the balance of the fund shall not be less than 25% of the registered capital of the Company before such transfer.

(III) Financial and Accounting System

At the end of each accounting year, the Company shall prepare a financial report reviewed and certified in accordance with laws.

The Board shall place before the shareholders at each annual meeting such financial reports as relevant laws, administrative regulations and normative documents promulgated by the local government and the authorities-in-charge require the Company to prepare.

The financial reports of the Company shall be made available for inspection by shareholders twenty days prior to an annual meeting. Each shareholder of the Company shall have the right to obtain a copy of the financial reports referred to in this chapter.

The financial statements of the Company shall, in addition to being prepared in accordance with the accounting standards and regulations of the People's Republic of China, be prepared in accordance with either international accounting standards or such accounting standards in the place of listing overseas. If there is any material difference between the financial statements prepared respectively in accordance with the two accounting standards, explanations shall be given in the financial statements. When the Company distributes its profits after taxation for that accounting year, the lower of the profits after taxation as shown in (i) the financial statement prepared in accordance with the accounting standards and regulation of the People's Republic of China, or (ii) the international accounting standards or such accounting standards in the place of listing overseas, shall be adopted.

The interim results or financial information published or disclosed by the Company shall be prepared in accordance with the accounting standards and regulations of the People's Republic of China as well as the international accounting standards or such accounting standards in the place of listing overseas.

The Company shall publish its financial statements twice every accounting year, that is, the interim financial report shall be published within sixty days after the expiration of the first six months of each accounting year and the annual financial report shall be published within one hundred and twenty days after the expiration of each accounting year.

If the securities regulatory authorities of the place where the Company's shares are listed or listing rules of the place where the Company's shares are listed provide otherwise, such provisions shall prevail.

The Company may not establish any account books other than statutory account books. No accounts shall be opened in the name of any individual for deposit of the assets of the Company.

(IV) Financial Assistance for Acquisition of Shares of the Company

The Company or its subsidiaries (including affiliates) shall not provide any assistance to persons who purchase or intend to purchase the shares of the Company, in the form of gift, advance, guarantee, compensation or loan.

FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES

Incorporation

Our Company was established as a limited liability company in the PRC on August 30, 2006 and was converted into a joint stock limited company on December 3, 2015 under the laws of the PRC. As of the Latest Practicable Date, the total share capital of the Company was RMB498,506,709 comprising 498,506,709 Shares of nominal value RMB1.00 each.

Our principal place of business in Hong Kong is at Unit 322, 3/F, 19W, Science Park West Avenue, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance with the Registrar of Companies in Hong Kong on March 6, 2024. Ms. YU Anne (余安妮) has been appointed as the authorized representative of our Company for the acceptance of service of process in Hong Kong whose address for service of process is 40/F Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong.

As the Company was incorporated in the PRC, its operations are subject to the relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and the Articles of Association is set out in the section headed "Regulatory Overview" and Appendix V, respectively.

Changes in Share Capital

On August 30, 2006, our Company was incorporated with a registered capital of HKD7,000,000.

The following sets out the changes in the share capital of our Company within two years immediately preceding the date of this prospectus:

(a) Pursuant to an agreement for asset purchase by share issue dated November 27, 2023, Yaoning Technology subscribed for 68,582,573 Shares in consideration of our acquisition in the 49.00% interest in Lynway Vision. As a result, our total share capital was increased to RMB480,078,011 on December 4, 2023. See "History, Development and Corporate Structure — Major Acquisitions, Disposals and Mergers";

(b) Pursuant to a capital increase agreement dated December 4, 2023, Jingrui Investment and Jingshi Investment subscribed for an increased share capital of RMB5,279,328 and RMB6,581,700 at a total consideration of RMB11,614,521 and RMB14,479,740, respectively. As a result, our total share capital was increased to RMB491,939,039 on December 14, 2023. See "History, Development and Corporate Structure — Issue and Allotment of New Shares";

(c) Pursuant to a capital increase agreement dated December 8, 2023, Jingling Investment subscribed for an increased share capital of RMB6,567,670 at a total consideration of RMB17,075,942. As a result, our total share capital was increased to RMB498,506,709 on December 27, 2023. See "History, Development and Corporate Structure — Issue and Allotment of New Shares";

Save as disclosed above, there has been no alteration in the share capital of the Company within two years immediately preceding the date of this prospectus.

Resolutions of our Shareholders and Board members

At the general meeting of the Shareholders held on January 19, 2024 and the Board meetings held on June 27, 2024 and October 21, 2024, respectively, the following resolutions, among other things, were duly passed:

(a) the issue by the Company of H Shares with a nominal value of RMB1.00 each and such H Shares be listed on the Hong Kong Stock Exchange;

(b) the number of H shares to be issued shall be no more than 25% of the total issued share capital of our Company as enlarged by the Global Offering, and the grant of the Offer Size Adjustment Option in respect of no more than 15% of the number of H Shares issued pursuant to the Global Offering;

(c) subject to the CSRC's approval, upon completion of the Global Offering, 215,506,643 Domestic Unlisted Shares will be converted into H Shares on a one-for-one basis;

(d) authorization of the Board or its authorized individual to handle all matters relating to, among other things, the Global Offering, the issue and the listing of H Shares on the Hong Kong Stock Exchange; and

(e) subject to the completion of the Global Offering, the conditional adoption of the revised Articles of Association, which shall become effective on the Listing Date.

Changes in the Share Capital of our Subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in Note 1 to the Accountants' Report of the Group as set out in Appendix IA to this prospectus.

Guangzhou Lynway Automotive Lighting Co., Ltd. (廣州領為汽車照明有限公司), a wholly-owned subsidiary of our Company, was established in Guangdong Province, the PRC on October 24, 2022 with the registered capital of RMB10 million.

Lynway Vision (Guangzhou), a wholly-owned subsidiary of our Company, was established in Guangdong Province, the PRC on June 17, 2024 with the registered capital of RMB250 million.

Save as disclosed above, there has been no alteration in the share capital of the subsidiaries of the Company within two years immediately preceding the date of this prospectus.

FURTHER INFORMATION ABOUT OUR BUSINESS

Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

(a) the equity transfer agreement dated May 5, 2023, and entered into among Shenzhen Guomin Innovation Venture Capital (L.P.) (深圳市國民創新創業投資企業(有限合夥)) ("**Publics Venture Capital**"), Ningbo Meishan Bonded Area Jiamu Ronghe Investment Partnership (Limited Partnership) (寧波梅山保稅港區嘉木融合投資合夥企業(有限合夥)) ("**Jiamu Ronghe**"), YE Zhiyu (葉志宇), YE Zhixiong (葉志雄) and the Company, pursuant to which Publics Venture Capital agreed to transfer (i) 9,488,486 Shares it held to Jiamu Ronghe at a consideration of RMB20,000,000.95, (ii) 9,393,602 Shares it held to YE Zhiyu at a consideration of RMB19,800,000.94 and (iii) 94,885 Shares it held to YE Zhixiong at a consideration of RMB200,000.01;

(b) the equity transfer agreement dated June 2, 2023, and entered into among Ningbo Meishan Bonded Area Jiamu Ronghe Investment Partnership (Limited Partnership) (寧波梅山保稅港區嘉木融合投資合夥企業(有限合夥)) ("**Jiamu Ronghe**"), Shenzhen Shidiya Investment Co., Ltd. (深圳市仕地亞投資有限公司) ("**Shidiya**") and the Company, pursuant to which Jiamu Ronghe agreed to transfer 7,000,000 Shares it held to Shidiya at a consideration of RMB27,230,000;

(c) the equity transfer agreement dated August 25, 2023, and entered into among Ningbo Fengyan Equity Investment Partnership (L.P.) (寧波豐衍股權投資合夥企業(有限合夥)) ("**Fengyan Investment**"), HUANG Dinghe (黃鼎賀) and the Company, pursuant to which Fengyan Investment agreed to transfer 0.2430% of then issued Shares of the Company (equivalent to the registered capital of the Company of RMB1,000,000) to HUANG Dinghe at a consideration of RMB3,000,000;

(d) the agreement for asset purchase by share issue dated November 27, 2023, and entered into among the Company and Yaoning Technology, pursuant to which the Company agreed to issue 68,582,573 Shares to Yaoning Technology to acquire the 49.00% equity interest in Lynway Vision held by Yaoning Technology;

(e) the capital increase and share capital enlargement agreement dated December 4, 2023, and entered into among the Company, Guangzhou Jingshi Investment Partnership (Limited Partnership) (廣州晶實投資合夥企業(有限合夥)) ("**Jingshi Investment**") and Guangzhou Jingrui Investment Partnership (Limited Partnership) (廣州晶瑞投資合夥企業(有限合夥)) ("**Jingrui Investment**"), pursuant to which Jingshi Investment and Jingrui Investment agreed to subscribe for 11,861,028 new Shares (the newly increased registered capital of the Company of RMB11,861,028) at a total consideration of RMB26,094,261.60;

(f) the capital increase and share capital enlargement agreement dated December 8, 2023, and entered into among the Company and Guangzhou Jingling Investment Partnership (Limited Partnership) (廣州晶領投資合夥企業(有限合夥)) ("**Jingling Investment**"), pursuant to which Jingling Investment agreed to subscribe for 6,567,670 new Shares (the newly increased registered capital of RMB6,567,670) at a consideration of RMB17,075,942.00; and

(g) the Hong Kong Underwriting Agreement.

Intellectual Property Rights

Trademarks

As at the Latest Practicable Date, we had registered the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of registration	Rights holder	Category	Registration number	Expiration date
1.		PRC	APT Electronics	11	7979534	April 6, 2031
2.		PRC	APT Electronics	42	7979567	January 20, 2032
3.		Malaysia	APT Electronics	9	2018053801	February 22, 2028
4.		Malaysia	APT Electronics	11	2018053802	February 22, 2028
5.		EU	APT Electronics	9, 11	017721333	January 22, 2028
6.		Mexico	APT Electronics	9	1877906	January 26, 2028
7.		Mexico	APT Electronics	11	1877908	January 26, 2028
8.		HK	APT Electronics	11	301321037AB	April 7, 2029
9.		HK	APT Electronics	11, 42	301514231	January 3, 2030

No.	Trademark	Place of registration	Rights holder	Category	Registration number	Expiration date
10.		US	APT Electronics	9, 11	6267052	February 8, 2031
11.		PRC	APT Electronics	11	7816732	March 20, 2031
12.		Malaysia	APT Electronics	9	2018053796	February 22, 2028
13.		Malaysia	APT Electronics	11	2018053798	February 22, 2028
14.		HK	APT Electronics	9, 11, 42	301483092	November 23, 2029
15.		US	APT Electronics	9	6102619	July 13, 2030
16.		EU	APT Electronics	9, 11	017721341	January 22, 2028
17.	LEDis	PRC	APT Electronics	11	7877397	March 27, 2031
18.	联晶	PRC	APT Electronics	42	26461113	September 6, 2028
19.	联晶智能	PRC	APT Electronics	9	27884281	November 20, 2029
20.	联晶	PRC	APT Electronics	9	34091669	June 20, 2030
21.	LEDIS	PRC	APT Electronics	9, 11	41196983A	February 6, 2031
22.	LEDIS	PRC	APT Electronics	9	41196983	June 13, 2031
23.		Indonesia	APT Electronics	9	IDM000761806	January 15, 2028

No.	Trademark	Place of registration	Rights holder	Category	Registration number	Expiration date
24.	APt	Indonesia	APT Electronics	11	IDM000761805	January 15, 2028
25.	inLux	Indonesia	APT Electronics	9	IDM000761775	January 15, 2028
26.	inLux	Indonesia	APT Electronics	11	IDM000761776	January 15, 2028
27.	联晶	PRC	Linlux	11	35361105	September 27, 2030
28.	inLux	PRC	Linlux	9	35352843	December 6, 2030
29.	LYNWAY	PRC	Lynway Vision	11	48678865	April 13, 2031
30.	领为视觉	PRC	Lynway Vision	11	49014669	April 20, 2031
31.		PRC	Lynway Vision	11	49032296	April 6, 2031
32.	LYNWAY	PRC	Lynway Vision	12	48671079	April 20, 2031
33.		PRC	Lynway Vision	12	49017717	April 6, 2031

Patents

As at the Latest Practicable Date, we had registered the following patents which we consider to be or may be material to our business:

No.	Patent Name	Category	Patentee	Place of registration	Patent number	Grant date
1.	Convex point light-emitting diodes and their manufacturing methods (凸點發光二極管及其製造方法)	Invention patent	APT Electronics	PRC	ZL200710029219.4	March 2, 2011
2.	Surface mounted LED structure and packaging method of integrating functional circuits on a silicon (一種硅基板集成有功能電路的LED表面貼裝結構及其封裝方法)	Invention patent	APT Electronics	US	US 13/024,083 & US 8 138 515 B2	March 20, 2012
3.	Light emitting device and TV back-light module with wide color gamut (廣色域LED光器件及其背光元件)	Invention patent	APT Electronics	US	US 14/584,482 & US 9496 464 B2	November 15, 2016
4.	High-reliability LED bracket and its LED devices (一種高可靠性LED支架及其LED器件)	Invention patent	APT Electronics	PRC	ZL201310317058.4	April 27, 2016
5.	Chip-level LED light source module and its projection and production method (一種晶片級LED光源模組及其投製作方法)	Invention patent	APT Electronics	PRC	ZL201510617715.6	June 12, 2018
6.	Flip-chip white LED device and its production method (一種倒裝白光LED器件及其製作方法)	Invention patent	APT Electronics	PRC	ZL201510733494.9	August 31, 2018
7.	LED packaging device with deep ultraviolet lamps and its preparation method (一種深紫外燈LED封裝器件及其製備方法)	Invention patent	APT Electronics	PRC	ZL201611228510.X	July 19, 2019

No.	Patent Name	Category	Patentee	Place of registration	Patent number	Grant date
8.	Red luminophor, LED device and method for making the LED device (一種紅色發光體、LED器件及其製作方法)	Invention patent	APT Electronics	US	US 16/934,312 & US 11271142 B2	March 8, 2022
9.	White light emitting diode and backlight module (白光發光二極體及背光模組)	Invention patent	APT Electronics	US	US 16/884,087 & US 11367811 B2	June 21, 2022
10.	LCD devices and driving methods based on Mini LED backlight and local dimming (基於Mini LED背光源及局部調光的液晶顯示裝置及驅動方法)	Invention patent	APT Electronics	PRC	ZL202111683264.8	June 30, 2023
11.	Packaging substrate and semiconductor device and its production method (一種封裝基板、半導體器件及其製作方法)	Invention patent	APT Electronics	PRC	ZL201811433165.2	November 3, 2023
12.	Light guide element and vehicle with irregular-shaped automotive lamps (一種異形車燈光導組件和車輛)	Invention patent	Lynway Vision	PRC	ZL202310952218.6	December 15, 2023
13.	Uniform light-guiding automotive signal light and automobile (一種均勻性光導的汽車信號燈和汽車)	Invention patent	Lynway Vision	PRC	ZL202310952209.7	October 31, 2023
14.	Automatic gluing assembly line and gluing assembly method for automotive lamps (一種車燈的自動塗膠裝配線及塗膠裝配方法)	Invention patent	Lynway Vision	PRC	ZL201810260399.5	July 28, 2020

Domain names

As of the Latest Practicable Date, we owned the following domain names which we consider to be or may be material to our business:

No.	Domain names	Obligee	Expiration date
1.	apt-hk.com	Our Company	September 14, 2026
2.	apt-hk.com.cn	Our Company	March 31, 2026
3.	apt-hk.net	Our Company	March 31, 2026
4.	apt-hk.net.cn	Our Company	March 31, 2026
5.	apte.xyz	Our Company	February 1, 2026
6.	廣東晶科.cn	Our Company	February 2, 2026
7.	廣東晶科.com	Our Company	February 2, 2026
8.	廣東晶科.中國	Our Company	February 2, 2026
9.	廣東晶科.公司	Our Company	February 2, 2026
10.	晶科電子.cn	Our Company	March 31, 2026
11.	晶科電子.com	Our Company	April 11, 2026
12.	晶科電子.中國	Our Company	March 31, 2026
13.	linlux-hk.com	Linlux	April 16, 2025
14.	lynway.cn	Lynway Vision	July 22, 2030
15.	lynway.net	Lynway Vision	August 24, 2030
16.	lynway.com.cn	Lynway Vision	August 24, 2030

Save as aforesaid, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our business.

FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS, MANAGEMENT AND SUBSTANTIAL SHAREHOLDERS

Particulars of the Service Contracts

We have entered into a contract with each of our Directors and Supervisors in respect of, among other things (i) compliance of relevant laws and regulations, (ii) observance of the Articles of Association, and (iii) provisions on dispute resolution.

Save as disclosed above, none of the Directors or Supervisors has entered into any service contracts as a director or supervisor with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

Directors' and Supervisors' Remuneration

The Directors and Supervisors receive remuneration in the forms of salaries, allowances and benefits in kind, performance related bonuses, share-based payment expenses, and pension scheme contributions.

The aggregate amount of remuneration (including salaries, allowances and benefits in kind, performance related bonuses, share-based payment expenses, and pension scheme contributions) paid to our Directors and Supervisors for the three years ended December 31, 2021, 2022 and 2023 and the five months ended May 31, 2024 were approximately RMB4.1 million, RMB3.8 million, RMB5.0 million and RMB2.4 million, respectively.

Disclosure of interests

Immediately following completion of the Global Offering (assuming the Offer Size Adjustment Option is not exercised), the interests and/or short positions of our Directors, Supervisors and chief executive in our Shares, underlying shares and debentures of our Company and its associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

Interest in Shares

Name of Director, Supervisor or Chief Executive	Nature of Interests	Number and Description of Shares[1]	Approximate percentage of Shareholding following the completion of the Global Offering (%) — In the Domestic Unlisted Shares/ H Shares	Approximate percentage of Shareholding following the completion of the Global Offering (%) — In the total issued share capital of our Company
Mr. Xiao[(2)(3)(4)]	Interest held jointly with other persons	171,316,739 Domestic Unlisted Shares	60.54	32.20
		63,524,835 H Shares	25.50	11.94
Mr. Chan[(2)(3)(5)]	Interest held jointly with other persons	171,316,739 Domestic Unlisted Shares	60.54	32.20
		63,524,835 H Shares	25.50	11.94
Mr. Yuan[(2)(3)]	Interest held jointly with other persons	171,316,739 Domestic Unlisted Shares	60.54	32.20
		63,524,835 H Shares	25.50	11.94
Mr. HOU Yu[(6)]	Interest of spouse	3,500,000 Domestic Unlisted Shares	1.24	0.66
		1,500,000 H Shares	0.60	0.28

Notes:

(1) All interests are long positions.

(2) As of the Latest Practicable Date, Advanced Photoelectronic was held as to (i) 10.50% by Mr. Xiao, (ii) 17.76% by APTESS, which is wholly owned by Mr. Xiao, (iii) 32.02% by Giant Power Limited, which is wholly owned by Mr. Yuan, (iv) 3.78% by Mr. Chan, (v) 1.62% by Ms. Loh, spouse of Mr. Chan, and (vi) 34.32% by other shareholders, none of which held more than one third therein.

(3) Pursuant to the acting-in-concert agreement dated January 1, 2021, Mr. Xiao, Mr. Chan, Mr. Yuan, APTESS and Giant Power Limited are parties acting in concert in respect of their shareholding interests in Advanced Photoelectronic and/or our Company. Therefore, each of Mr. Xiao, Mr. Chan, Mr. Yuan, APTESS and Giant Power Limited is deemed to be interested in the interest of each other under the SFO.

(4) As of the Latest Practicable Date, Mr. Xiao was the general partner of Jingyu Investment, Jingling Investment, Jingrui Investment and Jingshi Investment. Therefore, Mr. Xiao is deemed to be interested in the 14,105,000, 6,567,670, 5,279,328 and 6,581,700 Shares held by each of Jingyu Investment, Jingling Investment, Jingrui Investment and Jingshi Investment in the Company. Pursuant to the acting-in-concert agreement dated December 8, 2023, Advanced Photoelectronic, Jingyu Investment, Jingling Investment, Jingrui Investment and Jingshi Investment are parties acting in concert. Therefore, each of Advanced Photoelectronic, Jingyu Investment, Jingling Investment, Jingrui Investment and Jingshi Investment is deemed to be interested in the interest of each other under the SFO.

(5) Mr. Chan and Ms. Loh are spouses, and hence are deemed to be interested in the interest of each other under the SFO.

(6) Mr. HOU Yu and Ms. GAO Tao are spouses, and hence are deemed to be interested in the interest of each other under the SFO.

Save as disclosed above, none of the Directors, Supervisors or the chief executive officer of the Company will, immediately following completion of the Global Offering, has any interests and/or short positions in the Shares, underlying Shares and debentures of our Company's associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

Substantial Shareholders

For information on the persons who will, immediately following the completion of the Global Offering, having or be deemed or taken to have beneficial interests or short position in our Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, see the section headed "Substantial Shareholders" in this prospectus.

Save as disclosed herein, our Directors are not aware of any other person who will, immediately following the Global Offering and the Conversion of Domestic Unlisted Shares into H Shares (and the offering of any additional H Shares pursuant to the Offer Size Adjustment Option), have an interest or short position in Shares or underlying Shares of the Company, which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Group.

Share Incentive Schemes

A. Share Incentive Scheme I

The following is a summary of the principal terms of the Share Incentive Scheme I adopted on May 31, 2019 and renewed on December 8, 2023. Under the Share Incentive Scheme I, the eligible participants as approved may indirectly hold our Company's interest by holding partnership interest in our employee shareholding platform, namely, Jingyu Investment. As of the Latest Practicable Date, Jingyu Investment directly held 14,105,000 Shares. For details, see "History, Development and Corporate Structure" in this prospectus. The Share Incentive Scheme I is not subject to the provisions of Chapter 17 of the Listing Rules.

(a) Purposes

The purpose of the Share Incentive Scheme I is to further establish and improve the Company's long-term incentive mechanism, attract and retain talents, fully promote the positivity of the Directors, senior management, middle-level management and core employees of the Company, and direct the focus of all parties to the Company's long-term development by effectively combining the interests of the Shareholders, the Company and core individuals.

(b) The Number and Price of Shares

A total of 14,105,000 restricted shares, with grant price per restricted share of RMB1.85 were granted under the Share Incentive Scheme I, representing approximately 2.83% of the share capital in issue of the Company immediately prior to the completion of the Global Offering and approximately 2.65% of the share capital in issue of the Company immediately following the completion of the Global Offering (assuming the Offer Size Adjustment Option is not exercised).

(c) Participants

The participants under the Share Incentive Scheme I shall be our regular employees (the "**Participants**"), who are formally registered with the Company for 12 months or more, and are ranked above deputy manager as of December 31, 2018, as determined by the Board.

Restricted share unit(s) is/are granted under the Share Incentive Scheme I to the Participants as an award. The award incentive shares are directly held by Jingyu Investment. After the grant of the awards, the Participants have become limited partners of Jingyu Investment and are indirectly interested in the incentive shares under the terms and conditions contained in relevant agreements of Share Incentive Scheme I.

(d) Administration

The Share Incentive Scheme I is managed and executed by the Board subject to the authorization by the Shareholders and the supervision by the Supervisory Committee.

(e) Rights and Restrictions as Attached in the Award

The awards are subject to regulatory lock-up requirement and a stipulated lock-up period commencing from the grant date until two years after listing of the Company. During the lock-up period of the Share Incentive Scheme I, the Participants shall not dispose of, or request to dispose of, or transfer to external parties or the other Participants under the Share Incentive Scheme I, their limited partnership interests in Jingyu Investment.

After the expiration of the lock-up period of the Share Incentive Scheme I, the Participants are entitled to dispose of their limited partnership interests in Jingyu Investment in the following two methods: (1) by applying to the general partner of Jingyu Investment (the "**General Partner**"), namely Mr. Xiao, for disposal of such interests and, upon the approval by the General Partner, transfer such interests to the General Partner or third party Participants as designated by the General Partner or other third party Participants, subject to the Share Incentive Scheme I and the laws and regulations of the place where the Shares are listed; or (2) by applying to Jingyu Investment for the reduction of the corresponding Shares held by Jingyu Investment, the proceeds of which will be distributed to the applying Participants.

(f) Lapse of the Award

The Participants may be required to withdraw from the Share Incentive Scheme I and reduce all of the limited partnership interests held by them under certain circumstances, including but not limited to (1) inability to perform the employment contract (for instance, incapacity for work) prior to the Listing; and (2) resignation or dismissal due to personal reasons (for instance, violation of the Company's stipulations) within the lock-up period.

(g) Details of the Awards Granted

As of the Latest Practicable Date, details of the awards granted under the Share Incentive Scheme I are set out as below.

Name of grantees	Position held in our Group	Number of incentive shares held	Approximate percentage of shareholding immediately following the completion of the Global Offering — Assuming the Offer Size Adjustment Option is not exercised	Approximate percentage of shareholding immediately following the completion of the Global Offering — Assuming the Offer Size Adjustment Option is exercised in full
Connected Persons and Senior Management				
Mr. Xiao	Chairperson of the Board, executive Director and chief strategic officer of our Company	3,920,000	0.74%	0.73%
Mr. HOU Yu (侯宇)	President of our Company, the general manager of Linlux and the supervisor of Lynway Vision (Guangzhou)	1,800,000	0.34%	0.34%
Mr. ZENG Zhaoming (曾照明)	Vice president of our Company	1,590,000	0.30%	0.30%
Ms. ZHOU Baiyun (周白雲)	Vice president and financial controller of our Company and supervisor of Lynway Vision	1,550,000	0.29%	0.29%
Mr. OU Weineng (區偉能)	Supervisor of our Company	540,000	0.10%	0.10%
Others				
28 qualified Participants		4,705,000	0.88%	0.88%

B. Share Incentive Scheme II

The following is a summary of the principal terms of the Share Incentive Scheme II adopted on December 4, 2023. Under the Share Incentive Scheme II, the eligible participants as approved may indirectly hold our Company's interest by holding partnership interest in our employee shareholding platforms. The Share Incentive Scheme II is not subject to the provisions of Chapter 17 of the Listing Rules.

As of the Latest Practicable Date, our Company have established two employee shareholding platforms under the Share Incentive Scheme II, namely Jingrui Investment and Jingshi Investment, which in aggregate directly held 11,861,028 Shares. For details, see "History, Development and Corporate Structure" in this prospectus.

(a) Purposes

The purpose of the Share Incentive Scheme II is to further establish and improve the Company's long-term incentive mechanism, attract and retain talents, fully promote the positivity of the Directors, senior management, middle-level management and core employees of the Company, and direct the focus of all parties to the Company's long-term development by effectively combining the interests of the Shareholders, the Company and core individuals.

(b) The Number and Price of Shares

A total of 11,861,028 restricted shares, with grant price per restricted share of RMB2.20 were granted under the Share Incentive Scheme II, representing approximately 2.38% of the share capital in issue of the Company immediately prior to the completion of the Global Offering and approximately 2.23% of the share capital in issue of the Company immediately following the completion of the Global Offering (assuming the Offer Size Adjustment Option is not exercised).

(c) Participants

The participants under the Share Incentive Scheme II (the "**Participants**") shall be regular employees, who are formally registered with the Company for 12 months or more, and are ranked above deputy manager as of December 31, 2023, as determined by the Board.

Restricted share unit(s) is/are granted under the Share Incentive Scheme II to the Participants as an award. The award incentive shares are directly held by Jingrui Investment and Jingshi Investment as to 5,279,328 and 6,581,700 Shares, respectively. After the grant of the awards, the Participants have become limited partners of Jingrui Investment or Jingshi Investment and are indirectly interested in the incentive shares under the terms and conditions contained in relevant agreements of Share Incentive Scheme II.

(d) Administration

The Share Incentive Scheme II is managed and executed by the Board subject to the authorization by the Shareholders and the supervision by the Supervisory Committee.

(e) Rights and Restrictions as Attached in the Award

The awards are subject to regulatory lock-up requirement and a stipulated lock-up period commencing from the grant date until two years after listing of the Company. During the lock-up period of the Share Incentive Scheme II, the Participants shall not dispose of, or request to dispose of, or transfer to external parties or the other Participants under the Share Incentive Scheme II, their limited partnership interests in the employee shareholding platforms.

After the expiration of the lock-up period of the Share Incentive Scheme II, the Participants are entitled to dispose of their limited partnership interests in the employee shareholding platforms in the following two methods: (1) by applying to the general partner of the employee shareholding platforms (the "**General Partner**"), namely Mr. Xiao, for disposal of such interests and, upon the approval by the General Partner, transfer such interests to the General Partner or third party Participants as designated by the General Partner or other third party Participants, subject to the Share Incentive Scheme II and the laws and regulations of the place where the Shares are listed; or (2) by applying to the employee shareholding platforms for the reduction of the corresponding Shares held by the employee shareholding platforms, the proceeds of which will be distributed to the applying Participants.

(f) Lapse of the Award

The Participants may be required to withdraw from the Share Incentive Scheme II and reduce all of the limited partnership interests held by them under certain circumstances, including but not limited to (1) inability to perform the employment contract (for instance, incapacity for work) prior to the Listing; and (2) resignation or dismissal due to personal reasons (for instance, violation of the Company's stipulations) within the lock-up period.

(g) Details of the Awards Granted

As of the Latest Practicable Date, details of the awards granted under the Share Incentive Scheme II are set out as below.

Name of grantees	Position held in our Group	Number of incentive shares held	Approximate percentage of shareholding immediately following the completion of the Global Offering	
			Assuming the Offer Size Adjustment Option is not exercised	Assuming the Offer Size Adjustment Option is exercised in full
Connected Persons and Senior Management				
Mr. Xiao	Chairperson of the Board, executive Director and chief strategic officer of our Company	3,500,500	0.66%	0.65%
Mr. HOU Yu (侯宇)	President of our Company, general manager of Linlux and the supervisor of Lynway Vision (Guangzhou)	400,000	0.08%	0.07%
Mr. ZENG Zhaoming (曾照明)	Vice president of our Company	600,000	0.11%	0.11%
Ms. ZHOU Baiyun (周白雲)	Vice president and financial controller of our Company and supervisor of Lynway Vision	400,000	0.08%	0.07%
Mr. ZHENG Longfeng (鄭龍鋒)	Board secretary of our Company	700,000	0.13%	0.13%
Others				
53 qualified Participants		6,260,528	1.18%	1.17%

C. *Share Incentive Scheme III*

The following is a summary of the principal terms of the Share Incentive Scheme III adopted on December 8, 2023. Under the Share Incentive Scheme III, the eligible participants as approved may indirectly hold our Company's interest by holding partnership interest in our employee shareholding platform, namely, Jingling Investment. As of the Latest Practicable Date, Jingling Investment directly held 6,567,670 Shares. For details, see "History, Development and Corporate Structure" in this prospectus. The Share Incentive Scheme III is not subject to the provisions of Chapter 17 of the Listing Rules.

(a) Purposes

The purpose of the Share Incentive Scheme III is to further establish and improve the Company's long-term incentive mechanism, attract and retain talents, fully promote the positivity of the Directors, senior management, middle-level management and core employees of Lynway Vision, and direct the focus of all parties to the Company's long-term development by effectively combining the interests of the Shareholders, the Company and core individuals.

(b) The Number and Price of Shares

A total of 6,567,670 restricted shares, with grant price per restricted share of RMB2.60 were granted under the Share Incentive Scheme III, representing approximately 1.32% of the share capital in issue of the Company immediately prior to the completion of the Global Offering and approximately 1.23% of the share capital in issue of the Company immediately following the completion of the Global Offering (assuming the Offer Size Adjustment Option is not exercised).

(c) Participants

The participants under the Share Incentive Scheme III shall be key management members of Lynway Vision as considered and approved by the Board of the Company (the "**Participants**") based on the terms and indexes as specified in the Share Incentive Scheme III.

Restricted share unit(s) is/are granted under the Share Incentive Scheme III to the Participants as an award. The award incentive shares are directly held by Jingling Investment. After the grant of the awards, the Participants have become limited partners of Jingling Investment and are indirectly interested in the incentive shares under the terms and conditions contained in relevant agreements of Share Incentive Scheme III.

(d) Administration

The Share Incentive Scheme III is managed and executed by the Board subject to the authorization by the Shareholders and the supervision by the Supervisory Committee.

(e) Rights and Restrictions as Attached in the Award

The awards are subject to regulatory lock-up requirement and a stipulated lock-up period commencing from the grant date until two years after listing of the Company. During the lock-up period of the Share Incentive Scheme III, the Participants shall not dispose of, or request to dispose of, or transfer to external parties or the other Participants under the Share Incentive Scheme III, their limited partnership interests in Jingling Investment.

After the expiration of the lock-up period of the Share Incentive Scheme III, the Participants are entitled to dispose of their limited partnership interests in Jingling Investment in the following two methods: (1) by applying to the general partner of Jingling Investment (the "**General Partner**"), namely Mr. Xiao, for disposal of such interests and, upon the approval by the General Partner, transfer such interests to the General Partner or third party Participants as designated by the General Partner or other third party Participants, subject to the Share Incentive Scheme III and the laws and regulations of the place where the Shares are listed; or (2) by applying to Jingling Investment for the reduction of the corresponding Shares held by Jingling Investment, the proceeds of which will be distributed to the applying Participants.

(f) Lapse of the Award

The Participants may be required to withdraw from the Share Incentive Scheme III and reduce all of the limited partnership interests held by them under certain circumstances, including but not limited to (1) inability to perform the employment contract (for instance, incapacity for work) prior to the Listing; and (2) resignation or dismissal due to personal reasons (for instance, violation of the Company's stipulations) within the lock-up period.

(g) Details of the Awards Granted

As of the Latest Practicable Date, details of the awards granted under the Share Incentive Scheme III are set out as below.

Name of grantees	Position held in our Group	Number of incentive shares held	Approximate percentage of shareholding immediately following the completion of the Global Offering — Assuming the Offer Size Adjustment Option is not exercised	Approximate percentage of shareholding immediately following the completion of the Global Offering — Assuming the Offer Size Adjustment Option is exercised in full
Connected Persons and Senior Management				
Mr. Xiao	Chairperson of the Board, executive Director and chief strategic officer of our Company	656	0.0001%	0.0001%
Mr. LIU Tie (劉鐵)	General manager of Lynway Vision and the executive director and manager of Lynway Vision (Guangzhou)	1,075,615	0.2021%	0.2002%
Others				
14 qualified Participants		5,491,399	1.0320%	1.0223%

Disclaimers

(a) Save as disclosed in the section headed "History, Development and Corporate Structure," none of the Directors nor any of the experts referred to in "— Other Information — Qualifications and Consents of Experts" below has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by, or leased to, any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

(b) Save in connection with the Underwriting Agreements, none of the Directors nor any of the experts referred to in "— Other Information — Qualifications and Consents of Experts" below, is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group.

(c) No cash, securities or other benefit has been paid, allotted or given within the two years preceding the date of this prospectus to any promoter of the Company nor is any such cash securities or benefit intended to be paid, allotted or given on the basis of the Global Offering or related transactions as mentioned.

OTHER INFORMATION

Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Group.

Litigation

Save as disclosed in this prospectus, to the knowledge of our Directors, there was no other 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.

Sole Sponsor

The Sole Sponsor has made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, our Shares in issue, our Shares to be issued pursuant to the Global Offering (including any Shares which may fall to be issued pursuant to the exercise of the Offer Size Adjustment Option).

CITIC Securities (Hong Kong) Limited satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Pursuant to the engagement letter entered into between the Company and the Sole Sponsor, we have agreed to pay the Sole Sponsor a fee of US$600,000 to act as the sponsor of our Company in connection with the proposed listing on the Hong Kong Stock Exchange.

Qualifications and Consents of Experts

The following experts have each given and have not withdrawn their respective written consents to the issue of this prospectus with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

Name	Qualification
CITIC Securities (Hong Kong) Limited . . .	Licensed corporation to conduct Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Ernst & Young	Certified Public Accountants and Registered Public Interest Entity Auditor
AllBright Law Offices	PRC legal advisor
China Insights Industry Consultancy Limited	Independent industry consultant

As of the Latest Practicable Date, none of the experts named above has any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

BINDING EFFECT

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

BILINGUAL PROSPECTUS

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

PROMOTERS

The promoters of our Company comprised all of the five then shareholders of our Company as of December 3, 2015 before our conversion into a joint stock limited liability company.

No.	Name
1.	Advanced Photoelectronic
2.	Guangdong Yueke Finance Investment Co., Ltd.

No.	Name
3.	Shenzhen Guomin Innovation Venture Capital (L.P.)
4.	Episky Corporation (Xiamen) Ltd.
5.	Jiangyin Haohan Photoelectronic Technology Co., Ltd.

Within the two years immediately preceding the date of this prospectus, no cash, securities or benefit has been paid, allotted or given, or is proposed to be paid, allotted or given to the promoters named above in connection with the Global Offering or the related transactions described in this prospectus.

PRELIMINARY EXPENSES

The Company did not incur material preliminary expenses for the purpose of the Listing Rules.

MISCELLANEOUS

(a) Save as disclosed in "Changes in Share Capital" above, within the two years immediately preceding the date of this prospectus:

(i) no share or loan capital or debenture of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be issued for cash or as fully or partly paid other than in cash or otherwise;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and

(iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries.

(b) there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries.

(c) no share or loan capital or debenture of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(d) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries by our Company for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company or any of our subsidiaries.

(e) Save as disclosed in the paragraph headed "Further Information about our Business–Summary of Material Contracts" in this section, none of our Directors or proposed Directors or experts (as named in this prospectus), have any interest, direct or indirect, in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group. Save as disclosed in this prospectus, no equity or debt securities of any company within our Group is presently listed on any stock exchange or traded on any trading system nor is any listing or permission to deal being or proposed to be sought.

(f) Our Company has no outstanding convertible debt securities or debentures.

(g) There is no arrangement under which future dividends are waived or agreed to be waived.

(h) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(a) the written consents referred to in "*Appendix VI — Statutory and General Information — Other Information — Qualifications and Consents of Experts*"; and

(b) a copy of each of the material contracts referred to in "*Appendix VI — Statutory and General Information — Further Information about our Business — Summary of Material Contracts*".

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.apt-hk.com** during a period of 14 days from the date of this document:

1. the Articles of Association;

2. the Accountants' Reports prepared by Ernst & Young, the text of which is set forth in Appendices IA and IB to this prospectus;

3. the audited consolidated financial statements of our Company for the financial years ended December 31, 2021, 2022 and 2023 and the five months ended May 31, 2024;

4. the report from Ernst & Young on the unaudited *pro forma* financial information of our Group, the text of which is set forth in Appendix II to this prospectus;

5. the material contracts in "*Appendix VI — Statutory and General Information — Further Information about our Business — Summary of Material Contracts*";

6. the written consents referred to in "*Appendix VI — Statutory and General Information — Other Information — Qualifications and Consents of Experts*";

7. the service contracts referred to in "*Appendix VI — Statutory and General Information — Further Information about our Directors, Supervisors, Management and Substantial Shareholders — Particulars of the Service Contracts*";

8. the legal opinions issued by AllBright Law Offices, our PRC Legal Advisor, in respect of, among other things, the general matters and property interests of our Group under PRC law;

9. the terms of the Share Incentive Scheme I, the Share Incentive Scheme II and the Share Incentive Scheme III;

10. the industry report issued by China Insights Industry Consultancy Limited, the summary of which is set forth in the section headed "*Industry Overview*" in this prospectus; and

11. a copy of the PRC Company Law, together with unofficial English translations.

廣東晶科電子股份有限公司

APT Electronics Co., Ltd.