

MLS Co., Ltd.

Reply to Feedback on the Application for Public Issuance of Convertible Corporate
Bonds

(2nd Revised Draft)

China Securities Regulatory Commission:

Pursuant to the "Notice of First Feedback on the Administrative Licensing Project Review (No. 182293)" issued by your Commission on March 6, 2019, MLS Co., Ltd., Ping An Securities Co., Ltd., and relevant intermediary institutions organized their respective personnel to conduct thorough discussions and verification, and have provided detailed responses to all issues raised in the review opinions. Issues requiring verification and opinions from relevant intermediary institutions have been separately addressed by each institution through special verification opinions or supplementary opinions. This reply has been reviewed and approved by the issuer. The issues covered by the feedback are now addressed in sequence as follows.

Unless otherwise specified, abbreviations and definitions used in this reply shall have the same meanings as those in the Prospectus. Where the sum of individual items differs from the total due to rounding, such discrepancies are attributable to rounding.

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3. Yiwu LED Lighting Application Products Automated Production Project

(1) Construction Content

This project plans to construct automated production lines and ancillary facilities for LED lighting application products (including LED filament lights, LED bulbs, LED tubes, LED panel lights, etc.). Upon reaching full production capacity, the project will be capable of producing 278.85 million LED lighting application products annually.

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3. Yiwu LED Lighting Application Products Automated Production Project

This project is located at Lots 35# and 36# in the core zone of Susi Town, Yiwu Industrial Park, Zhejiang Province. The construction period is estimated at 24 months, and the main construction activities include civil engineering works, factory remodeling, equipment procurement and installation/commissioning, staff recruitment and training, etc. The specific construction schedule is as follows:

Project Implementation Content	Project construction period (24) (months)																							
	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12
Civil engineering																								
Factory remodeling																								
Equipment purchase and installation																								
Installation and debugging																								
Employee recruitment and training																								

According to the construction schedule, the progress of fund utilization for this project is as follows:
Unit: 10,000 yuan

Ite	Fund utilization progress	
	T ~ T+18	T+19 ~ T+24
1. Construction costs	37,698.85	
1.1 Production plant	28,762.40	-
1.2 Office building	1,541.44	-
1.3 Auxiliary rooms	280.69	-
1.4 Dormitory	7,114.32	-
2. Remodeling project costs	-	24,175.39
2.1 Production plant	-	18,806.19
2.2 Office building	-	1,067.15
2.3 Auxiliary rooms	-	152.04
2.4 Dormitory	-	4,150.02
3. Equipment purchase and installation costs	-	56,023.80
4. Land use right fee	3,600.00	-
5. Contingency Fund	-	2,405.98

6. Initial working capital	-	10,815.96
Total		134,719.97

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This project will complete civil engineering works, factory remodeling, and equipment procurement and installation/commissioning on the Company's existing land. Taking into account the extended time required for self-built factory construction and the cautious consideration of the integration timeline between MLS's headquarters and Ledvance's LED application business, this project is designed with a 24-month construction period (of which civil engineering construction is 18 months). The Company will fully consider market demand and production scheduling for the relevant products at the anticipated production launch to ensure sufficient orders to absorb the released production capacity. The LED lighting application products represent a capacity expansion of LED application products aimed at strengthening technological and product synergies with Ledvance. This project has the necessary production technology and market foundation.

The project has been thoroughly discussed and planned by the Company's management, and the schedule for the use of raised funds and project construction is prudent and reasonable.

III. Explain the connection and differences between this fundraising project and the company's existing business and previous fundraising projects. Explain the necessity, rationality, and feasibility of the proposed investment projects, and describe the measures to absorb the increased production capacity in light of existing capacity utilization and sales rates.

(I) The connection and differences between the current IPO and the company's existing business and previous fundraising projects.

1. The connection and differences between the proposed investment projects and the company's existing business.

The following analysis examines the product introductions, technological advancements, and application areas of the projects funded by this IPO, highlighting their connections and differences with the company's existing business.

(1) Xiaolan High-Performance LED Packaging Product Manufacturing Project: Product Technology and Application Status

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Products of the fundraising projects		Product introduction and description of advanced technology	Application areas
High performance SMD product		Using high-reflectivity plastic materials, high-reflectivity electroplating technology, high-efficiency LED chips, and high-brightness phosphors, while optimizing luminous efficiency and heat dissipation efficiency, the product features high luminous efficacy, high reliability, and energy-saving performance. The current luminous efficacy can reach 200 lm/W — with only 10W of power, it delivers brightness equivalent to that of a 100W+ incandescent bulb, achieving an electrical energy utilization rate more than 10 times that of incandescent bulbs. Additionally, the service life can exceed 10 years.	General lighting field
Inverted COB products		Using a combination of high thermal conductivity aluminum substrates, high thermal conductivity solder paste, and industry-leading flip-chip LED chips, multiple flip-chip LED chips are integrated onto the substrate to achieve higher brightness output within a limited area. The light emission is uniform with no hot spots, the color rendering is pure, and the design requires no gold wire bonding, resulting in higher reliability and greater stability. The flip-chip design offers excellent heat dissipation performance, and the integrated design facilitates easy installation. Products are diverse and customizable. On a 1W–2W high thermal conductivity aluminum substrate, up to 150 flip-chip LED chips are integrated, with a single product luminous flux of up to 6,500 lm and a luminous flux density as high as 2.3 lm/mm ² .	Downlights, spotlights, floodlights, stage lights, track lights, industrial and mining lights, and other lighting products
	Infrared LED Products	Using industry-leading infrared LED chips and high thermal conductivity silver adhesive for die bonding, combined with a precision optical lens design, achieving high photoelectric conversion efficiency; photoelectric conversion efficiency of 35% or above, wavelength optional at	Applied in the fields of remote control, security surveillance, sensors, and facial recognition, it is an

S p e c i a l l i g h t i n g		850nm/940nm, emission angle optional from 20° to 90°.	essential component for enabling AI intelligence and the Internet of Things (IoT).
	Wide-angle soft-light LED bead	Using flip-chip LED chips and phosphor film technology, combined with the industry's most advanced CSP (Chip Scale Package) technology and a precision optical lens design, the light is redistributed to achieve uniform and soft emission in all directions within a range approaching 2π (hemispherical). Additionally, the LED strip substrate area can be significantly reduced, simplifying the SMT process and lowering costs. Thanks to CSP technology, the product also delivers higher luminous efficacy, better heat dissipation, and a smaller form factor, resulting in outstanding overall performance. The light distribution curve is butterfly-shaped, with a peak angle of 140° or above and a half-intensity angle of 160° or above. No secondary optical plastic lens is required, achieving uniform and soft light emission in all directions within a range approaching 2π (hemispherical).	Can be directly applied to a wide range of surface light source products, including panel lights, advertising light boxes, TV backlights, ceiling lights, and more, without the need for additional secondary optical plastic lenses.
	New SMD2837 LED beads	Featuring a precision circular light-emitting surface design with uniform and symmetrical 360° light output, it can be paired with a wide range of secondary optical plastic lenses available on the market for use in surface light source products such as panel lights, advertising light boxes, TV backlights, and ceiling lights, delivering uniform illumination with no hot spots or dark zones.	Panel lights, advertising light boxes, TV backlights, ceiling lights, and other surface light source products.

(2) Product Technology and Application Overview of the Xiaolan LED Power Supply Production Project

Products of the fundraising investment project	Product Introduction and Description of Technical Advancement		Application area
Christmas light power supply	The 1–7.2W, 7.2–9W, and 9–12W series LED switching power supplies are categorized by function into three types: constant-on, eight-function, and timer. The products comply with the certification	Integrating digital circuit control schemes with power semiconductor manufacturing processes, the product achieves intelligent control, constant voltage, constant current, and constant power	Primarily applied in the fields of LED lighting and LED decoration, such as power supplies for Christmas lights and decorative luminaires

	standards for switching power supplies in the European Union, United Kingdom, Australia, and the United States. The controlled power supplies feature a built-in light string flicker controller, fundraising investment project overload protection, overvoltage protection, constant voltage function, constant current function, eight flicker modes, as well as optional Bluetooth and Wi-Fi connectivity	functions. On the technical side, innovations have been made to optimize and consolidate the design by integrating certain peripheral components directly into the chip, thereby reducing material costs across the overall solution. On the smart manufacturing side, fully automated production lines have been introduced to increase production capacity and reduce labor and manufacturing costs	
Copper wire light power supply	0.38–0.5mm, solder-joint-free, highly flexible, and capable of moderate bending into any desired shape.		Decorative lighting for various holiday occasions such as Christmas, home decoration, urban illumination projects, and lighting for various entertainment venues
Diffuse reflection LED strip power supply	The base materials consist of a high thermal conductivity aluminum substrate and PMMA lens, with an input voltage of DC 12V/24V		Airports, metro stations, railway stations, bus stops, ultra-thin light boxes, light box illumination, scrolling advertising billboards, and similar applications.
Panel light power supply	1.5KV lightning surge protection, compliant with CCC (China Compulsory Certification) standards		Lighting light sources and luminaires
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	Certification) standards	
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(3) Product Technology and Application Overview of the Yiwu LED Lighting Application Products Automated Production Project

Products of the fundraising investment project	Product Introduction and Description of Technical Advancement		Application area
Filament bulb	The product complies with the certification standards for switching power supplies in the European Union, United Kingdom, Australia, and the United States. It incorporates innovative LED "filament" technology, is mercury-free, offers a wide beam angle of up to 360°, and has a long service life	Extremely low energy consumption; no ultraviolet or near-infrared radiation in the light beam; instant start-up with no warm-up time required; low heat output; energy savings of up to 50% compared to CFL luminaires; and easy installation	Suitable for indoor lighting as a replacement for energy-saving lamps, incandescent bulbs, or halogen lamps; ideal for decorative arrangements
Light bulb	The product complies with the certification standards for switching power supplies in the European Union, United Kingdom, Australia, and the United States; with a long service life	High luminous efficacy; very uniform light distribution; energy savings of up to 60% compared to CFL luminaires; simple installation with quick connection	For use in indoor lighting applications as a replacement for fluorescent lamps and similar light sources

LED tube light	The product complies with the certification standards for switching power supplies in the European Union, United Kingdom, Australia, and the United States; featuring a compact design with lightweight construction and a long service life	High luminous efficacy; energy savings of up to 60% compared to traditional luminaires	Indoor and outdoor lighting applications
Panel lights	The product complies with the certification standards for switching power supplies in the European Union, United Kingdom, Australia, and the United States; features an external driver for flexible expansion; the light guide cover is made of anti-yellowing material for a long service life; and incorporates an ultra-thin aluminum housing with a matte white frame, resulting in a lightweight construction.	Reduced glare; very uniform light distribution; high luminous efficacy; energy savings of up to 50% compared to CFL luminaires; simple and quick installation	Primarily used in indoor lighting applications as a replacement for fluorescent lamps and similar light sources

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(4) The Relationship, Differences, and Strategic Alignment Between the Proposed Fundraising Investment Projects and the Company's Existing Business Operations and Development Strategy

Providing an important strategic guarantee for the Company's development into a large-scale LED packaging and application products supplier with a complete industry chain and strong international competitiveness

Core competitiveness

Core competitiveness				
Technological advantages	Xiaolan high performance LED packaging product production project	Xiaolan LED lighting source production project	Yiwu LED lighting application product automated production project	Cost advantages
The technological advancement and performance upgrade of the Company's existing SMD LED packaging products keeps pace with the industry's continuous technological evolution. This is an imperative requirement for enhancing the Company's competitive strength within the industry, further consolidating the Company's leading position in LED packaging, and fulfilling the needs of the Company's strategic development plan.		Through the development of packaging materials and supporting components to enrich the Company's product portfolio, this project will introduce advanced automated production lines and testing equipment for driver power supplies, copper wire lights, and diffuse reflection LED strips. Upon commencement of production, the Company's product mix will be further upgraded, overall production efficiency will be enhanced, and cost advantages will be further strengthened.	Expanding the existing LED lighting application production capacity and enriching the product mix. Coordinating with Ledvance on the production and sales of LED lighting application products. Growing and strengthening the downstream lighting application market scale. Achieving further extension and coverage of the Company's LED product chain into the application market. Providing an important strategic guarantee for the Company's development into a large-scale LED product supplier	
Midstream packaging materials and components			Downstream lighting applications	

In this fundraising investment project, the Xiaolan High-Performance LED Packaging Products Production Project primarily produces high-performance SMD products, flip-chip COB products, and specialty lighting products (including infrared LED products, wide-angle soft-light LEDs, new SMD2837 LED beads, etc.). The investment and construction of this project represent the Company's response to industry development trends and its own circumstances, leveraging advantages in large-scale production and technological research and development to further upgrade the technical performance of its existing LED packaging products and produce higher-performance, more specialized LED packaging products, thereby expanding the Company's production capacity and sales scale for related products and further consolidating its leading position in the LED packaging sector.

The Xiaolan LED Power Supply Production Project primarily produces LED driver power supply products, including Christmas light power supplies, copper wire light power supplies, diffuse reflection light strip power supplies, panel light power supplies, and lighting power supplies. Since 2011, the Company has been producing certain LED driver power supplies to complement its existing lighting products, and has established the relevant technology and market foundation for LED power supply production. The construction of this fundraising investment project aims to expand capacity on the existing LED power supply base, with certain products to be used in the production of the Company's lighting application products to reduce the proportion of externally purchased LED driver power supplies, while simultaneously selling certain products to external customers based on customer demand.

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The Yiwu LED Lighting Application Products Automated Production Project primarily produces LED filament lights, LED bulbs, LED tubes, LED panel lights, etc. The construction of this project represents an expansion of existing LED lighting application product capacity and an enrichment of product types. The Company plans to establish Yiwu as a future LED application production base, collaborating with Ledvance (acquired in 2018) to produce and sell LED application products. By integrating Ledvance's technological, brand, and channel advantages with the Company's manufacturing and cost control strengths, the aim is to maximize benefits. Therefore, the Yiwu LED Lighting Application Products Automated Production Project represents a further expansion of the Company's presence in the LED lighting application sector, aimed at continuously improving the Company's overall production technology level, enhancing the market competitiveness of LED lighting application products, and consolidating its position in the downstream application market.

Overall, the investment and construction of the above three projects are all technical upgrades, product renewals, or capacity expansions based on the Company's existing business, and the Company is fully equipped with the technical and market foundations necessary to implement these projects.

The three projects are interconnected: some of the output from the Xiaolan High-Performance LED Packaging Products Production Project will be used in the Yiwu LED Lighting Application Products Automated Production Project, while also upgrading the technology of the Company's existing LED packaging products; the output from the Xiaolan LED Power Supply Production Project, serving as LED packaging materials and components, will primarily be used to support the Company's LED lighting application products production, with a portion sold externally; and the Yiwu LED Lighting Application Products Automated Production Project aims to enhance the market competitiveness of the Company's LED lighting application products and consolidate its downstream application market position.

In summary, the investment and construction of the fundraising investment projects in this fundraising investment project represent prudent decisions made by the Company's Board of Directors based on the Company's actual development strategy, providing an important strategic guarantee for the Company's development into a large-scale LED packaging and component materials and lighting application product supplier with a complete industrial chain and strong international competitiveness.

2. Connections and Differences Between this Fundraising investment project and Prior Fundraising Investment Projects

Previous Fundraising Projects	Main Products Produced	Relationship and Differences with the Current Convertible Bond Fundraising Projects
1. 2015 IPO Fundraising Projects		
Lamp LED Product Technology Retrofit Project	Lamp LED packaging products, mainly including white, blue, and green lamps	The current fundraising project — Xiaolan High-Performance LED Packaging Products Production Project — has no relationship with Lamp LED packaging, nor any direct product connection.
SMD LED Product Technology Retrofit Project	Traditional SMD LED packaging products, mainly including white SMD and full-color SMD	The current fundraising project — Xiaolan High-Performance LED Packaging Products Production Project — represents a technological upgrade of the Company's existing LED packaging products, mainly including high-performance SMD products, flip-chip COB products, and specialty lighting products.
LED Application (Display Screens, Indoor/Outdoor Lighting and Decorative Lighting) Product	LED application products, mainly including display screens, indoor/outdoor lighting (tube lights, bulbs, ceiling lights, etc.)	The current fundraising project — Yiwu LED Lighting Application Products Automated Production Project — mainly produces LED filament lamps, LED bulbs, LED tube lights, LED panel lights, and other lighting products. Compared with the previously funded products, the current

Previous Fundraising Projects	Main Products Produced	Relationship and Differences with the Current Convertible Bond Fundraising Projects
Technology Upgrade Project	and decorative lighting products	products represent significant improvements in technical parameters, product design, manufacturing technology, and process levels. The production lines are more highly automated, and key performance indicators such as luminous flux and lumen depreciation have improved markedly, with longer product service lives.
LED Product research and development Center Technology Upgrade Project	-	-
Supplementary Working Capital	-	-
2. 2016 Non-Public Offering Fundraising Projects		
Xiaolan SMD LED Packaging Technology Upgrade Project	Traditional SMD LED packaging products, mainly used for downstream LED lighting product manufacturing	The current fundraising project — Xiaolan High-Performance LED Packaging Products Production Project — represents a technological upgrade of the Company's existing LED packaging products, mainly including high-performance SMD products, flip-chip COB products, and specialty lighting products, primarily for the production of general lighting, commercial lighting, and specialty lighting products.
Ji'an SMD LED Packaging Phase I Construction Project	Traditional SMD LED packaging products, mainly used for downstream LED display screen product manufacturing	
Xinyu LED Lighting Supporting Components Project	Mainly produces LED display screen lighting panels and LED indoor lighting panels	The current fundraising project — Xiaolan LED Power Supply Production Project — mainly produces LED driver power supplies. Both belong to lighting supporting components, but have no direct product relationship.
3. 2018 Restructuring Ancillary Fundraising Projects		
Restructuring-Related Expenses	-	-
Yiwu LED Lighting Application Products Project	Mainly produces LED filament lamps	The previously raised funds have not yet been invested and have been adjusted and changed to the current fundraising project — Yiwu LED Lighting Application Products Automated Production Project — which mainly produces LED filament lamps, LED bulbs, LED tube lights, LED panel lights, and other products.

In summary, the LED power supply products in the current fundraising projects represent a new product investment for the Company. The Xiaolan High-Performance LED Packaging and Yiwu LED Lighting Application Products Automated Production Projects have a certain degree of correlation with the previous fundraising projects, but differ in terms of process, performance, and specific applications. The current fundraising projects focus on the Company's core

business by upgrading product technology and performance, expanding production capacity, refining product lines, and integrating internal resources to generate greater synergies.

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This project will introduce advanced automated LED driver power supply, copper wire light, and diffuse reflection light strip production lines and testing equipment from within the industry. Upon production launch, the Company's product structure will be further upgraded, overall production efficiency will be improved, the Company's overall market share will be further expanded, and overall strength will be enhanced.

(4) Improving LED Industrial Chain Layout and Expanding the Downstream Lighting Application Market

Since its establishment, the Company has been deeply engaged in the LED packaging and application fields. Leveraging its technological research and development capabilities and grounded in the LED packaging and application fields, the Company has gradually increased its investment in the LED lighting application sector while consolidating its LED packaging market position, moderately extending into the downstream LED lighting application industrial chain. In recent years, the Company has progressively increased its investment in and output of LED lighting application products, and LED application lighting has gradually become a new profit growth driver for the Company. Additionally, in 2018, the Company completed its acquisition of Ledvance, a general lighting enterprise spun off from overseas lighting giant OSRAM. Ledvance is now a wholly-owned subsidiary of the Company. By integrating domestic and international channels, the Company's future prospects in the general lighting application sector are promising, and its core competitiveness in the LED packaging and application fields will continue to be strengthened.

The Yiwu LED Lighting Application Products Automated Production Project represents a further expansion of the Company's presence in the LED lighting application sector, aimed at further extending and covering the Company's LED product chain into the application market, and providing a foundation for achieving a solid foundation for continuously improving the Company's overall production technology level, enhancing the market competitiveness of LED lighting application products, and consolidating its downstream application market position, and providing an important strategic guarantee for the Company's development into a large-scale LED series product supplier with a complete industrial chain and international competitiveness.

(2) The Company Possesses the Talent, Process, and Technology Accumulation Required for Project Operations

In its daily operations, the Company has consistently placed emphasis on technological research and development and reserves. The Company continuously develops new products and creates new profit growth drivers. At the same time, the Company focuses on building its research and development talent pool, cultivating a multidisciplinary, high-caliber, high-quality research and development team capable of cross-disciplinary integration and high research and development capabilities, laying a solid foundation for the Company to consistently maintain a leading technological advantage in the industry. The Company has continually strived for innovation in technological research and development, achieving abundant results in the LED field. As one of the earliest companies in China to enter the LED business, the Company has been operating in the LED field for over 20 years. The senior management team has extensive industry experience, rich operational and market development experience, as well as substantial technology accumulation and a reserve of technical and marketing talent. The Company possesses the talent, processes, and technology accumulation required for operating the fundraising investment projects of this fundraising investment project.

(3) The Company Has a Well-Developed Marketing Network and Professional Service Team

The Company has consistently emphasized the development of marketing channels and customer service teams. The Company has established a sales network covering major provinces and cities across the country, responsible for sales expansion and customer maintenance in local and surrounding markets. At the same time, the Company focuses on cultivating and developing key clients and distributors, driving sales of the Company's products through the growth of key clients and distributors. Additionally, the Company can leverage Ledvance's global sales network to internationalize MLS products. A well-developed sales channel and high-quality customer service will lay a solid foundation for the Company to further expand its market and grow its market share.

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LED power supplies, like beads, are essential components for the production of LED application products. In the future, the Company's additional LED power supply production capacity, beyond the portion dedicated to supporting the Company's LED lighting application products, will be sold through existing sales channels. Since its establishment, the Company has consistently focused on the development of marketing channels, adhering to the construction of diversified sales channels. First, the role of distributors is strengthened to leverage distributors' customer resource advantages in facing the end market; simultaneously, the Company expands into international markets through Ledvance's global sales outlets; additionally, after years of development, the Company has established sales subsidiaries across the country according to its development needs, responsible for sales expansion and customer maintenance in local and surrounding markets. The Company is currently one of the most developed and well-established enterprises in the domestic LED packaging and application industry in terms of its marketing service network, with a sales network that essentially covers the entire country and is gradually extending globally.

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2) Selling Through the Company's Existing Sales Channels and the Integrated Ledvance Sales Channels

The products produced by this project include filament lights, bulbs, tubes, and panel lights, among others, which are primarily targeted at the home lighting sector. To date, the Company's sales network layout has become relatively well-developed. Domestically, the Company has further strengthened the role of distributors in sales according to its development needs, leveraging distributors' customer resource advantages when facing the end market; in addition to distributor channels, the Company has established numerous sales subsidiaries across the country according to its development needs, responsible for sales expansion and customer maintenance in local and surrounding markets. At the same time, the scope of marketing outlets is gradually extending overseas. Internationally, following the completion of the acquisition of Ledvance in 2018, the Company will gradually integrate Ledvance's sales network of traders and large supermarkets distributed globally, continuously improving the international market sales channels. Currently, most of Ledvance's LED lighting products are manufactured through OEM production; upon the completion of this fundraising investment project, a portion of products will be self-produced. Therefore, the products from the Yiwu LED Lighting Application Products Automated Production Project can be sold through the Company's existing sales channels and the integrated Ledvance sales channels. In the future, the Company's well-developed domestic and international sales channels provide a solid foundation for absorbing the additional production capacity of this project.

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During the reporting period, the Company's operating revenues were RMB 5,520.50 million, RMB 8,168.73 million, RMB 17,951.86 million, **and RMB 9,386.73 million, respectively**. The compound annual growth rate of operating revenues over the past three years reached 80.33%, with operating revenues maintaining sustained rapid growth. Starting from April 2018, Ledvance, which was spun off from OSRAM, was incorporated into the Company's consolidated financial statements, significantly increasing the scale of the Company's overseas business revenues and further boosting overall operating revenue scale. The Company's current operating revenue scale is significantly higher than that of listed companies in the same industry, making it the largest LED packaging and application lighting enterprise in China by scale. The Company's business volume is large and growing rapidly. Following the integration of Ledvance into the Company, the Company will strengthen the business integration between MLS headquarters and Ledvance, enhancing overseas expansion of MLS products and domestic penetration of Ledvance products. Although the Company's operating cash flow has been relatively stable in recent years, the future development of the Company's domestic and international business will place higher demands on working capital. The Company's currently high financial leverage and financial expenses are unfavorable for further growth in business volume and increase the liquidity risk associated with business expansion.

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After using the raised funds to repay interest-bearing debt, the Company's asset-liability ratio as of **June 30, 2019** would decrease from **69.36%** to **66.93%**, resulting in an overall reduction in financial leverage. Calculated at a cost of capital of 7%, the repayment of interest-bearing debt would allow the Company to save approximately RMB 54.60 million in financial expenses annually, representing 13.75% of the Company's 2018 net profit. Therefore, using the raised funds to repay interest-bearing debt is beneficial for reducing the asset-liability ratio, improving overall debt repayment capacity and risk resistance, and safeguarding the financial security required for the Company's further business development.

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On March 28, 2018, the Company completed the acquisition of Hexie Mingxin (Yiwu) Optoelectronics Technology Co., Ltd. (hereinafter referred to as "Mingxin Optoelectronics"). Pursuant to the provisions of the Accounting Standards for Business Enterprises, the Company incorporated Mingxin Optoelectronics into its consolidated financial statements as of April 1, 2018, thereby indirectly controlling Ledvance. Since the completion of the acquisition, Ledvance has operated steadily with strong performance. Building on its original strategic transformation towards LED business, Ledvance has further strengthened its cooperation with MLS headquarters and fully leveraged the synergistic effects between both parties' businesses.

(II) Integration of Ledvance After Completion of the Acquisition

Following the completion of the acquisition of Ledvance, the Company, on one hand, rapidly advanced Ledvance's business restructuring, continuously streamlined traditional light source production capacity, vigorously developed the LED light source, OTC lighting, and smart home electronics businesses primarily based on outsourced production, and improved quality control standards and procurement systems; on the other hand, it actively expanded synergistic effects, promoted new products and new markets, and further reduced procurement costs through economies of scale. The main (distribution channels of Ledvance products are) sales channels consist of two major parts: trade channels and retail channels. In the trade channels, Ledvance's main partners include Rexel S.A., Sonepar S.A., Imelco S.p.r.l., etc.; in the retail channels, Ledvance primarily completes sales through large commercial supermarkets or home improvement centers such as Walmart, Metro, Bauhaus, Obi, and Deutschland KG. Through the acquisition, the Company gained access to multiple global distribution centers of Ledvance in the United States, Mexico, France, Germany, Russia, Spain, and South Korea, as well as the sales channels of large retailers such as Walmart and Metro. Leveraging Ledvance's marketing channels and brand influence, the Company has intensified its use of these channels to expand overseas sales, increasing overseas business operating revenues, while Ledvance's bargaining power has also been enhanced as its share of customer procurement expenditure has increased.

II. Description of Ledvance's Accrual and Accounting Treatment of Restructuring Expenses, Whether the Actual Occurrence of Related Expenses is Consistent with the Expectations at the Time of Restructuring, and Description of the Impact of Restructuring Expenses on the Applicant's Future Performance

(I) Ledvance's Accounting Treatment and Accrual of Restructuring Expenses

1. Accounting Treatment of Ledvance's Restructuring Expenses

In 2017, based on the strategy of business transformation, Ledvance planned to conduct business restructuring in the future by streamlining production capacity, closing factories, and increasing the proportion of outsourced production to improve operating performance. In the process of restructuring, Ledvance streamlined production capacity, closed factories, dismissed the corresponding factory employees, and paid related severance expenses and other redundancy costs in accordance with the legal requirements of the jurisdictions where the factories are located. Additional non-redundancy expenses such as relocation, consulting, and asset disposal costs, as well as other losses, would also be incurred. Prior to MLS's acquisition of Ledvance, Ledvance's Supervisory Board had formulated a detailed restructuring plan. The specific implementation timeline for this restructuring plan ran from 2017 to 2021, with restructuring activities carried out annually according to the established plan, and the restructuring plan was revised based on Ledvance's operational conditions following each phase of restructuring to achieve optimal operating performance.

(II) Whether the Actual Occurrence of Ledvance's Restructuring Expenses is Consistent with the Expectations at the Time of Restructuring

Following the completion of the acquisition of Ledvance, the Company conducted investigations to evaluate Ledvance's operational conditions and, taking full account of the Company's future operating strategy and Ledvance's original restructuring plan, decided to adjust Ledvance's original restructuring plan. The main adjustments include: accelerating the restructuring process to reduce the restructuring timeline, completing the business restructuring as early as possible to enable vigorous expansion of new business; improving Ledvance's decision-making efficiency by adjusting its management structure; and further reducing Ledvance's market response time by improving its decision-making efficiency. The above adjustments made by the Company to Ledvance's original restructuring plan resulted in an acceleration of Ledvance's restructuring process in 2017 and 2018, with related restructuring expenditures occurring earlier than originally scheduled.

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1. Differences Between Ledvance's New Restructuring Plan and the Original Restructuring Plan

expenses, as well as internal management expenses incurred by Ledvance in advancing the restructuring plan.

(1) The New Restructuring Plan Adjusted the Number of Employees to be Dismissed in Certain Countries or Regions and Accelerated the Dismissal Process, Resulting in Earlier Occurrence of Severance Benefit Expenses and a Reduction in Total Severance Benefit Expenses Under the New Restructuring Plan

Under the new restructuring plan, MLS adjusted the number of employees to be dismissed in certain countries or regions and accelerated the pace of employee dismissals. Under the new plan, dismissals in major production countries and regions in the second half of 2017 and in 2018 accounted for 78.92% of the total planned dismissals, with severance benefit expenses occurring earlier and concentrated in the second half of 2017 and in 2018. Severance benefit expenses for 2019 and subsequent years decreased significantly, and the total amount of severance benefits decreased compared to the original restructuring plan.

(2) Expenses Incurred by Intermediary Institutions Such as Lawyers, Auditors, and External Consultants Related to Employee Dismissals, Litigation, and Asset Disposal, as Well as Internal Management Expenses Incurred by Ledvance in Advancing the Restructuring Plan, Occurred Earlier and Increased

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Under the new restructuring plan, due to the acceleration of employee dismissals and asset disposal processes, the related employee dismissal, intermediary institution expenses such as lawyers, auditors, and external consultants related to litigation and asset disposal, as well as internal management expenses incurred by Ledvance in advancing the restructuring plan, increased. Compared to the original restructuring plan, other expenses such as intermediary institution fees were concentrated in the period from the second half of 2017 to 2019, with smaller amounts in subsequent years, and the total expenses increased compared to the original restructuring plan.

2. Differences Between Ledvance's Actual Restructuring Expenses in the Second Half of 2017 and in 2018 and the New Restructuring Plan

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The main reasons why the assessed value of the lighting business asset group is significantly higher than the book value of the lighting business asset group (including goodwill) are:

(1) The goodwill assessment anticipates a reduction in future capital expenditures

7-3-79

The restructuring valuation was based on the operating conditions of the target assets as of the valuation base date and did not take into account MLS's integration plan or synergistic effects. Enhancing the value of the acquired assets by integrating Ledvance's technological, brand, and channel advantages with MLS headquarters' manufacturing and cost control strengths was an important consideration in the Company's acquisition of Ledvance. The estimated capital expenditures in the goodwill assessment were significantly lower than those in the restructuring valuation, primarily because after completing the acquisition of Ledvance, the Company evaluated Ledvance's operating conditions, took full account of the Company's future operating strategy and synergistic effects with Ledvance, and adjusted Ledvance's restructuring plan. The adjusted restructuring plan integrated Ledvance's and MLS's existing assets and businesses, accelerating factory closures, reducing self-production scale, and expanding the proportion of outsourced production, thereby further reducing capital expenditures on related factories, production equipment, intangible assets, and other items. In December 2018, Ledvance held a Global Procurement Committee (GPC) meeting on future supply chain development adjustments, upgrading from the previous regionalized procurement and regionalized budgeting to global procurement management, i.e., adjusting from the previous regional management of North America, Western Europe, Eastern Europe, Latin America, and Asia-Pacific to progressively establishing a supply system centered in China as the global supply hub, and developing a global supplier portfolio strategy.

7-3-80

(2) Strengthening the Integration Between MLS Headquarters and Ledvance and Enhancing Synergistic Effects in Technology, Products, Channels, and Industrial Chain

MLS headquarters and Ledvance generate synergistic effects through incorporating each other's products into their respective sales portfolios, upstream and downstream procurement, joint external procurement, product research and development cooperation, and organizational structure adjustments. This is mainly manifested in:

1) Ledvance has a sales team and sales channels covering more than 40 countries globally, which can be leveraged to help sell MLS lighting products while enriching the existing product portfolio and expanding market coverage; 2) MLS headquarters uses Ledvance's premium products to secure new business while helping Ledvance's products enter emerging markets; 3) MLS headquarters, as the world's largest packaging enterprise by output, has a cost advantage in large-scale production, and Ledvance's premium brands can be combined with MLS headquarters' cost advantages to expand profit margins; 4) Ledvance holds more than a thousand invention patents, hundreds of design and utility model patents, domain names, and registered trademarks, while MLS headquarters has also been granted hundreds of authorized patents in the LED field; the two can collaborate in research and development and intellectual property to enhance product competitiveness.

(3) Controlling Costs and Expenses and Improving Operating Efficiency and research and development Input-Output Efficiency

The Company will strengthen budget management, control unreasonable cost and expense spending, strengthen expense management and employee compensation control for Ledvance's overseas business, optimize the overseas workforce, shut down less profitable overseas factories, reduce the Company's overall administrative expense ratio and selling expense ratio, and improve operating efficiency. Additionally, the Company will strengthen the assessment of research and development expenses, improve the output efficiency of research and development investment, evaluate the performance and market results of research and development achievements, strengthen technical collaboration with Ledvance, and reduce the overall research and development expense ratio.

(4) Repaying Interest-Bearing Debt Through the Raised Funds From this Convertible Bond Fundraising investment project, Reducing the Asset-Liability Ratio and Financial Expenses

The Company plans to raise RMB 780 million through this convertible bond issuance to repay the Company's interest-bearing debt. As of **June 30, 2019**, the Company's interest-bearing liabilities amounted to RMB **9,415.29** million, of which interest-bearing debt due within one year was RMB **7,802.15** million. The Company plans to use the raised funds of RMB 780 million to repay its interest-bearing debt. Calculated at a cost of capital of 7%, the repayment of interest-bearing debt is expected to allow the Company to save approximately RMB 54.60 million in financial expenses annually, which is beneficial for improving the Company's profitability and risk resistance, and reducing interest repayment pressure.

In summary, although factors such as the Company's business strategy of actively expanding production capacity, the integration with Ledvance, and the Company's overall high financial leverage have had a certain impact on the Company's operating performance in the short term, the Company has responded through multiple means including adjusting its operating strategy, strengthening management, and improving integration results. These factors will not have a material adverse impact on the Company's operating performance in future years.

7-3-94

(II) The Fundraising Investment Projects, Namely the Xiaolan LED Power Supply Production Project and the Yiwu LED Lighting Application Products Automated Production Project, Belong to the Company's LED Application Products, Whose Gross Profit Margin Has Steadily Improved in Recent Years; the Integration with Ledvance's LED Application Business is Beneficial for Enhancing the Returns of the Fundraising Investment Projects

7-3-95

The Company's LED application products primarily include indoor and outdoor lighting fixtures, decorative lighting, and LED application supporting components such as circuit boards and power supplies. As the production of the Company's LED application products has become increasingly mature, the gross profit margin of the Company's LED application products has shown an overall upward trend in recent years. The Xiaolan LED Power Supply Production Project belongs to the LED application supporting components business, with products including Christmas light power supplies, copper wire light power supplies, diffuse reflection light strip power supplies, panel light power supplies, and lighting power supplies. The Yiwu LED Lighting Application Products Automated Production Project primarily produces LED lighting application products, including LED filament lights, LED bulbs, LED tubes, LED panel lights, etc. As the Company deepens its integration with Ledvance's LED application business and leverages Ledvance's advantages in brand, channels, and industrial chain, the business scale and profitability of the Company's LED application products will be further expanded, and the implementation of the fundraising investment projects related to LED application products has a strong market foundation.

(III) Repayment of Interest-Bearing Debt Through the Fundraising Investment Projects is Beneficial for Reducing the Company's Asset-Liability Ratio and Financial Expenses

The Company plans to use raised funds of RMB 780 million from this convertible bond fundraising investment project to repay the Company's interest-bearing debt. Calculated at a cost of capital of 7%, the repayment of interest-bearing debt is expected to allow the Company to save approximately RMB 54.60 million in financial expenses annually, which is beneficial for improving the Company's profitability and risk resistance, and reducing interest repayment pressure.

(IV) This Fundraising investment project Has the Technical Foundation Required for Implementation, and the Overall Increase in the Company's research and development Expenses Will Not Affect the Implementation and Returns of the Fundraising Investment Projects

In order to improve the business and technical synergistic effects between MLS headquarters and Ledvance, the Company increased research and development investment in high-performance packaging products and LED application products, resulting in a significant increase in research and development expenses in 2018. Benefiting from the substantial increase in the Company's research and development investment in 2018, all of the Company's fundraising investment projects in this fundraising investment project already have the technical foundation required for implementation. Except for the Yiwu LED Lighting Application Products Automated Production Project, which is staffed with appropriate research and development personnel, the other fundraising investment projects do not require new research and development personnel. For the Yiwu LED Lighting Application Products Automated Production Project, the Company has mastered the relevant technology and process flows and has the technical and process conditions for producing LED lighting application products. The allocation of appropriate research and development personnel to this project is primarily aimed at sustaining research and development investment, maintaining the upgrade and renewal of LED application products, and strengthening technical integration with Ledvance. This project, after prudent calculation, is expected to generate strong economic returns.

In summary, the factors contributing to the decline in the Company's operating performance in 2018 will not have a material adverse impact on the fundraising investment projects of this fundraising investment project.

2. Historical Development of the Company's Investment in Hexie Mingxin

7-3-108

10. The applicant is requested to provide supplementary disclosure on: the latest progress of material litigation and arbitration involving the Company and its subsidiaries, and whether such litigation and arbitration may have a material adverse impact on the Company's production and operations. The sponsor institution and the applicant's lawyers are requested to express their verification opinions.

[REPLY]

I. Latest Progress and Impact of Material Litigation and Arbitration

As of the date of signing this feedback reply, the Company and its major domestic subsidiaries have no material litigation. The latest progress and impact of the major litigation involving the Company's major overseas subsidiaries are as follows:

As of the date of signing of this feedback response, the Company and its major domestic subsidiaries have no material litigation. The latest progress and impact of major litigation involving the principal overseas subsidiaries are summarized as follows:

7-3-157

No.	Case Name	Latest Progress	Provision for Estimated Liabilities	Reasons for Non-Provision	Impact
1	Digital Gadgets vs. LEDVANCE LLC	The plaintiff has filed a lawsuit claiming USD 5 million in damages from LEDVANCE LLC for fire losses. LEDVANCE LLC states that due to an insurance deductible, it is only liable for a maximum of USD 750,000. LEDVANCE LLC reached a preliminary settlement agreement with Digital Gadgets and Westview on June 26, 2019, for a settlement amount of USD 516,000 .	None	Based on the latest court filings, the case is progressing in a direction favorable to LEDVANCE LLC.	Maximum liability of USD 750,000; the case is currently progressing favorably; no provision for estimated liabilities has been made.
2	Gilchrist, Richard - Attorney Demand Letter / EEOC Charge	This case was filed with the Civil Rights Division of the Texas Workforce Commission and has not yet entered litigation proceedings. According to LEDVANCE LLC, Gilchrist claims entitlement to recover approximately USD 850,000 to USD 2.5 million in total, including unpaid wages, future compensation, bonuses, emotional distress damages, and attorney's fees. As no reasonable grounds were found to establish that LEDVANCE LLC violated relevant	None	As of March 17, 2019, the case remains under EEOC investigation with no further information available.	Maximum potential liability of USD 2.5 million; the case is currently under investigation; no provision for estimated liabilities has been made.

		laws, the Civil Rights Division of the Texas Workforce Commission dismissed Gilchrist's claim against LEDVANCE LLC. Gilchrist may file a claim against LEDVANCE LLC in federal or state court within 90 days of receiving the dismissal notice from the Division.			
	Lifoam / CNE - Direct (Peabody MA)	The plaintiff has filed a lawsuit seeking damages in excess of USD 25 million from Lifoam Packaging Solutions, LLC and other defendants for fire losses caused by a metal halide lamp. The cause of the fire is still under investigation. LEDVANCE LLC states that after investigation of the damaged site, it may be added as a defendant, but due to an insurance deductible, it would only be liable for a maximum of USD 750,000.	None	As of March 17, 2019, the fire source is still being determined, and the main parties involved in the case are Lifoam and CNS Direct.	Maximum liability of USD 750,000; the fire source is still being confirmed, and the main parties are Lifoam and CNS Direct; no provision for estimated liabilities has been made.
	Smith, Tyler	The plaintiff has filed claims against LEDVANCE LLC and other defendants for personal injuries allegedly caused by fluorescent tubes sold by Lowe's Companies Inc., with claimed damages ranging from USD 25,000 to USD 5 million. LEDVANCE LLC states that due to an insurance deductible, it would only be liable for a maximum of USD 750,000. The case was settled on May 28, 2019, for USD 50,000.	None	The personal injury has not yet been determined; the main defendant in the case is Lowe's Companies Inc.	Maximum liability of USD 750,000; personal injury has not yet been determined; the main defendant is Lowe's Companies Inc.; no provision for estimated liabilities has been made.
5	Bench Walk Lighting v OSRAM SYLVANIA et al. D. Del. Case No. 1:18-CV-01732 (filed November 2, 2018)	This is a patent infringement case. Bench Walk Lighting has filed a lawsuit alleging that certain OSRAM LED products infringe its numerous U.S. patents. LEDVANCE LLC, LEDVANCE GmbH, and several OSRAM Group companies are named as defendants. However, none of LEDVANCE's products have been accused of infringement. Pursuant to the U.S. local asset transfer agreement, LED modules and LED strips are excluded from the definition of LEDVANCE products and form part of OSRAM's business, and were not transferred to LEDVANCE LLC as part of the lighting business. LEDVANCE has requested OSRAM SYLVANIA Inc. (hereinafter 'OSI') to indemnify and hold it harmless from all claims filed by Bench Walk Lighting. LEDVANCE has further requested OSI to replace LEDVANCE as a party in the litigation pursuant to applicable agreements. OSI has agreed and is in the process of handling the case.	None	This matter is related to OSRAM USA; it is unrelated to LEDVANCE LLC.	The litigation compensation is unrelated to LEDVANCE LLC; no provision for estimated liabilities has been made.
6	CFL Technologies	This is a patent infringement case. CFL	None	All five patents	All five patents

	LLC v LEDVANCE LLC and Ledvance LLC D. Del. Case No. 1:18-CV-01445 (filed September 17, 2018)	Technologies LLC ('CFL') has filed a lawsuit alleging that CFL products sold by LEDVANCE LLC and OSRAM SYLVANIA Inc. infringe five U.S. patents owned by CFL (LEDVANCE LLC is only accused of infringing U.S. Patent No. 6,172,464), and seeking declaratory judgment on the infringement, validity, and enforceability of the patents, as well as damages, pre/post-judgment interest, enhanced damages, reasonable attorney's fees, and other legal or equitable relief. LEDVANCE LLC filed a motion to dismiss on February 11, 2019. CFL submitted its response on March 11, 2019. The court dismissed CFL's motion for declaratory judgment on July 9, 2019. CFL is attempting to seek interlocutory review of the court's dismissal, and is currently awaiting a ruling on the motion for interlocutory review. All five patents have now expired, making damages or injunctive relief unlikely. Furthermore, the specific patent for which LEDVANCE LLC is accused of infringement was previously declared unenforceable in other cases, so LEDVANCE LLC's potential exposure in this case is minimal.		have now expired, making damages or injunctive relief unlikely. The patent for which LEDVANCE LLC is accused of infringement has also been declared unenforceable in prior cases; LEDVANCE LLC's potential exposure in this case is minimal.	have expired; damages or injunctive relief is unlikely; no provision for estimated liabilities has been made.
7	Paul W. Condo v Dap Inc. et al. PA Philadelphia Ct. C.P., Case No. 180105695 (filed February 2, 2018)	This is a tort case alleging personal injury caused by asbestos-containing products manufactured by the defendants. LEDVANCE LLC confirms that this tort case is related to GTE's pre-1993 asbestos product business, which was ultimately purchased by Verizon under the North American Lighting Agreement and is unrelated to LEDVANCE LLC's business. After being served on Osram Sylvania Inc., the asbestos cases have been forwarded to Verizon's external legal counsel. Verizon has been handling these cases and has acknowledged its liability under such cases.	None	The case has been confirmed as related to GTE (Verizon) and unrelated to LEDVANCE LLC.	The litigation compensation is unrelated to LEDVANCE LLC; no provision for estimated liabilities has been made.
8	Roberta G. Fitzpatrick v. Flowserve US Inc. Solely As Succsr To Rockwell Manu. et al. PA Philadelphia Ct. C.P., Case No. 180400963 (filed April 6, 2018)	This is an asbestos case. LEDVANCE LLC confirms that this tort case is related to GTE's pre-1993 asbestos product business, which was ultimately purchased by Verizon under the North American Lighting Agreement and is unrelated to LEDVANCE LLC's business. After being served on Osram Sylvania Inc., the asbestos cases have been forwarded to Verizon's external legal counsel. Verizon has been handling these cases and has acknowledged its liability under such cases.	None	The case has been confirmed as related to GTE (Verizon) and unrelated to LEDVANCE LLC.	The litigation compensation is unrelated to LEDVANCE LLC; no provision for estimated liabilities has been made.
9	JCL 2000 vs. LEDVANCE	The plaintiff in this case is a former OSRAM distributor who never sold any	None	OSRAM has reached a	The litigation compensation is

	S.A.S.U.	LEDVANCE lighting products. In this case, LEDVANCE S.A.S.U. has been named as a defendant as the successor to the former OSRAM entity, with the disputed amount being EUR 2 million. OSRAM has confirmed that it will assume liability for this case. OSRAM has reached a settlement agreement with JCL, and OSRAM will pay compensation to JCL.		settlement agreement with JCL, and OSRAM will pay compensation to JCL; this is unrelated to LEDVANCE LLC.	unrelated to LEDVANCE LLC; no provision for estimated liabilities has been made.
10	Lighting Science Group Corp. v. MLS Co., LTD., LEDVANCE GMBH, and LEDVANCE LLC 337 Investigation	The plaintiff claims that the issuer and its subsidiaries Lighting Science LEDVANCE GMBH, LEDVANCE LLC have infringed five of its U.S. patents: 8506118, 8674608, 7528421, 7098483, and 7095053. As this litigation is related to the 337 Investigation initiated by LSG, and the court has determined infringement, the court has granted the adjournment application filed by LEDVANCE LLC.	None	The investigation is in its early stages; it is currently difficult to assess settlement costs. LEDVANCE legal department found that the likelihood of infringement is rather low.	Current attorney's fees are approximately USD 80,000–90,000; if the case proceeds to final stage, attorney's fees are estimated at approximately USD 2 million –3 million; if the parties conclude the case early by reaching a settlement or voluntary dismissal, etc., the attorney's fees will be lower than the above amount.

7-3-160

Based on the analysis of Ledvance's management and **overseas lawyers** and the audit report, as of the date of signing this feedback reply, none of the above overseas litigation cases require the accrual of estimated liabilities; the major overseas subsidiaries are expected to only bear liability for the insurance deductibles involved in certain of the above litigation cases or for part of the plaintiffs' claims; CFL Technologies LLC case, the patents allegedly infringed have expired, and the likelihood of damages or injunctive relief is low. The above overseas litigation will not have a material adverse impact on the Company's production and operations.

II. Latest Progress and Impact of the Section 337 Investigation

(I) Summary and Progress of the Case

On April 30, 2019, LSG (Lighting Science Group Corporation) of the United States and its subsidiaries Healthe and Global Value Lighting filed an application with the USITC (United States International Trade Commission) to initiate a "Section 337 Investigation" against ten leading LED companies, including Philips Lumileds, GE Current, OSRAM, Cree, Nichia, MLS Co. (including Ledvance), and Xiamen Leedarson, among others, alleging that certain products of these companies infringe 8 patents held by LSG and its subsidiaries, of which certain products of Ledvance are alleged to involve 5 of these patents. **As the litigation is related to the Section 337 investigation initiated by LSG, the court has approved the extension application filed by Ledvance LLC.**

(II) Impact on the Company

Ledvance's management organized patent lawyers and the Company's legal department to conduct discussions and analysis, concluding that in the "Section 337 Investigation" initiated by LSG and its subsidiaries against major global LED companies, the likelihood of Ledvance's involved products being found to infringe is low, and the probability of LSG and its subsidiaries prevailing is not high. Furthermore, USITC investigations in practice generally take 12 to 15 months, with complex cases potentially extending to 18 months, resulting in a lengthy overall investigation period; moreover, the parties may reach an early resolution through settlement, voluntary withdrawal of the case, or other means. Therefore, this Section 337 investigation will not affect the Company's business in 2019, and the anticipated future impact on the Company's business is also limited.

Supplementary Disclosure in the Prospectus:

The above content has been supplementarily disclosed under "Section 7: Management's Discussion and Analysis" of the Prospectus, under "VI. Impact of Material External Guarantees, Litigation, Other Contingencies, and Material Subsequent Events on the Company's Financial Condition, Profitability, and Ability to Continue as a Going Concern," sub-section "(II) Litigation or Arbitration Matters."

Sponsor Institution's Verification Process and Verification Opinion:

The sponsor institution reviewed the legal opinions and audit reports issued by overseas law firms, the issuer's list of major overseas litigation, and the list of accrued estimated liabilities; analyzed the extent of the impact of overseas litigation on the issuer's financial condition; conducted interviews with overseas auditors; searched for and analyzed the specifics and precedents of Section 337 investigations; obtained relevant pleading documents; and interviewed relevant responsible persons at Ledvance to understand the specific impact.

Following verification, the sponsor institution concludes that as of the date of signing this verification opinion, all of the above overseas litigation cases do not require the accrual of estimated liabilities; the major overseas subsidiaries are expected to only bear liability for the insurance deductibles involved in certain of the above litigation cases or for part of the plaintiffs' claims; the patents allegedly infringed in the CFL Technologies LLC case have expired, and the likelihood of damages or injunctive relief is low. The above overseas

litigation will not have a material adverse impact on the Company's production and operations. The overall impact of this Section 337 investigation on the Company is limited.

Attorneys' Verification Opinion:

Following verification, the lawyers conclude that: the issuer's major overseas subsidiaries are expected to only bear liability for the insurance deductibles involved in certain of the above litigation cases or for part of the plaintiffs' claims; in the CFL Technologies LLC case, the patents that Ledvance LLC is alleged to have infringed have expired, and the likelihood of damages or injunctive relief is low, which will not have a material adverse impact on the Company's production and operations.

7-3-162

In March 2018, the Company completed the acquisition of 100% equity interest in Mingxin Optoelectronics through the issuance of shares and cash payment, and Ledvance was incorporated into the Company's consolidated financial statements from April 2018, resulting in a significant increase in the Company's overseas revenue in 2018. In 2018, the Company's total sales to its top five overseas customers amounted to RMB 2,647.76 million, representing 14.75% of total operating revenues for the period; **in the period from January to June 2019, the Company's total sales to its top five overseas customers amounted to RMB 1,665.98 million, representing 17.75% of total operating revenues for the period.** The Company's top five overseas customers are all among Ledvance's top five customers, most of which are internationally renowned trade channel customers or large supermarkets and home improvement centers that have cooperated with Ledvance for many years. Ledvance provides them with light sources, components, OTC lighting, smart home, and other products, and Ledvance has no related-party relationships with these customers.

The details of the Company's top five overseas customers in 2018 and the period from **January to June 2019** are shown in the table below:

7-3-179

The Company does not have a material dependence on its top five overseas customers. The main analysis is as follows:

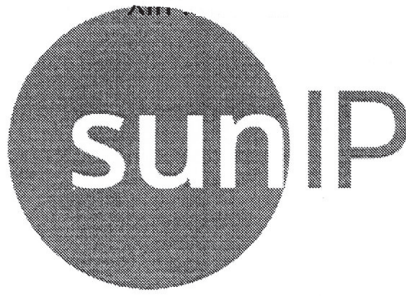
1. The Company Does Not Have a Material Dependence on Any Single Overseas Customer

Based on an analysis of the Company's sales to its top five overseas customers in 2018 and the period from **January to June 2019**, there are no instances where the proportion of sales to a single customer exceeded 5% of operating revenues. The proportion of sales revenue to any individual customer relative to total operating revenues is relatively low, and the customer base is relatively diversified; the Company does not have a material dependence on any single customer.

2. The Company Has Established Stable Cooperative Relationships with Its Major Overseas Customers

Because Ledvance is able to provide customers with efficient, prompt, and high-quality products and services that meet diverse customer requirements, it has earned the trust of numerous large international chain supermarkets and trade channel operators and secured their long-term, stable orders. Ledvance's top five customers are all internationally renowned chain supermarkets and channel operators, which have established strict supplier selection criteria and stringent requirements and scientific control methods for product quality. Once the Company enters their supplier system, both parties form a relatively long-term, stable strategic cooperative relationship that is not easily changed. Ledvance's major customers have cooperated with the Company for more than 5 years, with a close and stable relationship.

7-3-180



Certification of Accuracy of Translation

Sun IP Project # 26-3250

Simplified Chinese to English translation of
Attachment 3: Reply to Feedback on the Appln for Public Issuance.pdf

I, Xin Min Liu, hereby certify that the attached Simplified Chinese to English translation is, to the best of my knowledge, a true and accurate translation of “Attachment 3: Reply to Feedback on the Appln for Public Issuance.pdf” – pages 1, 12, 22 to 28, 32 to 33, 35, 40, 43, 56 to 57, 59 to 63, 79 to 80, 93 to 96, 108, 157 to 162, 179 to 180. The translated text reflects the content, meaning and style of the original text and constitutes a true and accurate translation of the original document.

May 18, 2026

Xin Min Liu