

Stock Code: 688007

Stock Short Name: Appotronics



Appotronics Corporation Limited
The Third Quarter Report in 2020

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I. Important Notes

- 1.1 The Board of Directors, the Board of Supervisors, directors, supervisors and senior officers of the Company hereby warrant that the information contained in this Quarter Report is true, accurate and complete and this Quarter Report is free from any misrepresentation, misleading statement or material omission, and agree to assume joint and several liability for this Quarter Report.
- 1.2 All directors of the Company attended the meeting of the Board of Directors for deliberation of this Quarter Report.
- 1.3 BO Lianming, Principal of the Company; ZHAO Ruijin, the Person in Charge of the Accounting Body; and WEI Yanlin, the Chief Accountant (the Person in Charge of Accounting) hereby represent that the financial statements contained in this Quarter Report are true, accurate and complete.
- 1.4 The Company's third quarter report has not been audited.

II. Basic Information

2.1 Major financial data

In RMB

| | At the end of the reporting period | At the end of the prior year | Changes at the end of the reporting period from the end of the prior year (%) |
|---|---|---|---|
| Total assets | 3,064,551,514.66 | 3,099,508,090.85 | -1.13 |
| Net assets attributable to shareholders of the listed company | 2,012,293,789.69 | 1,974,559,837.64 | 1.91 |
| | From the beginning of the year to the end of the reporting period (Jan.-Sep.) | From the beginning of the prior year to the end of the reporting period of the prior year (Jan.-Sep.) | Changes over the same period of the prior year (%) |
| Net cash flow from operating activities | 113,316,743.29 | 54,312,138.69 | 108.64 |
| | From the beginning of the year to the end of | From the beginning of the prior year to the end of the | Changes over the same period of the prior year (%) |

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| | the reporting period (Jan.-Sep.) | reporting period of the prior year (Jan.-Sep.) | |
|---|-------------------------------------|---|-------------------|
| Operating income | 1,238,398,708.87 | 1,351,772,312.07 | -8.39 |
| Net profits attributable to shareholders of the listed company | 44,138,225.23 | 124,130,427.05 | -64.44 |
| Net profits attributable to shareholders of the listed company after deduction of non-recurring profits or losses | -11,822,043.71 | 90,158,518.82 | -113.11 |
| Weighted average return on net assets (%) | 2.21 | 12.21 | Decrease by 10% |
| Basic earnings per share (RMB/share) | 0.10 | 0.31 | -67.74 |
| Diluted earnings per share (RMB/share) | 0.10 | 0.31 | -67.74 |
| Proportion of R&D investments to the operating income (%) | 11.83 | 10.16 | Increase by 1.67% |

Operating Analysis

In the third quarter, the Company recovered nicely, represented by a positive year-on-year growth in operating income and continuous improvement in profitability. Revenue in the third quarter amounted to RMB 522 million, achieving a positive growth, up 4.81% year on year and 27.68% month on month. During the reporting period, the net cash flow from operating activities was RMB 113 million, up 108.64% year on year.

1. The Company has demonstrated the strength of operations in fields of commercial education and engineering since household business developed fast and cinema business recovered continuously. In the third quarter, the Company's revenue in non-cinema businesses was RMB 450 million overall, up 58.47% year on year and 21.71% month on month, in which household products achieved a revenue amounting to RMB 250 million, up 138.45% year on year. During the reporting period, the Company's key subsidiary, Fengmi (Beijing) Technology Co., Ltd., as successfully introduced strategic investments, further accelerated the outbreak of laser display technology applications and promoted the rapid development of the laser display industry. The Company's cinema business revived strongly, as the revenue from the

cinema service recovering to 9.47%, 64.91% and 83.16% of that in the same period of last year in July, August and September respectively. With normal services available in cinemas, the Company has resumed its cinema service businesses basically.

2. The Company has achieved milestones in patent operation, including authorizing patent licenses to enterprises in intelligent projection industry with advanced and efficient core devices supplied, and concluding strategic cooperation agreements with partners, in which the partners would continue to purchase core device products from the Company in next five years, playing important roles for the development of the Company's core device business. These milestones are significant signs to evidence the Company's persistence on exploring operation mode of intellectual property rights and great efforts to protect core technology achievements, and further confirm the Company's leading role in original laser display technology.

3. The Company has made breakthrough progress in new products. The 100-inch flexible Fresnel anti-light screen firstly launched by the Company globally, has greatly enhanced the display effect by adopting the ALFA technology independently developed by the Company which was in advance in light shaping and light absorption, and by practicing the micro-nano structure and nano-coating design. Comparing with traditional products, this product is significantly advantaged in costs and performance. Now, as the Company can produce this product in mass, consumers will enjoy portable large-screen interactive entertainment experience due to its accessibility to various application scenarios.

4. Despite the impact of the COVID-19, the Company continues to make more investments in research and development in emerging areas, and has established the AR Division for providing a broad platform for the exploration of the "next curve" as technology innovation is the foot-stone of any enterprise. In the third quarter, the Company's R&D expenses were RMB 59,262,400, up 23.26% year on year. The Company has obtained 45 new domestic and foreign authorized patents, and applied 68 new domestic and foreign patents, including 55 domestic and foreign invention patents, and 31 new PCT international patents.

Items and amounts of non-recurring profit or loss

Applicable N/A

In RMB

| Item | Amount of the current period (Jul.-Sep.) | From the beginning of the year to the end of the reporting period (Jan.-Sep.) | Description |
|--|--|---|-------------|
| Profit or loss on disposal of non-current assets | 162,789.52 | 208,729.85 | |
| Government grants recognized in profit or loss other than grants which are closely related to the Company's business and are either in fixed amounts or determined under quantitative methods in accordance with the national standard | 3,983,553.27 | 33,835,240.75 | |
| Net profit or loss of subsidiaries from the beginning of the period up to the business combination date | 5,827,864.14 | 17,483,592.42 | |

| | | | |
|--|---------------|---------------|--|
| recognized as a result of business combination of enterprises involving entities under common control | | | |
| Profit or loss on changes in the fair value of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities and derivative financial liabilities and investment income on disposal of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, derivative financial liabilities and other debt investments, other than those used in the effective hedging activities relating to normal operating business | 1,934,383.56 | 12,759,177.27 | |
| Other non-operating income or expenses other than the above | 596,713.59 | 230,307.70 | |
| Effects attributable to minority interests (net of tax) | -263,601.44 | -2,201,678.67 | |
| Income tax effects | -841,371.79 | -6,355,100.38 | |
| Total | 11,400,330.85 | 55,960,268.94 | |

2.2 Total number of shareholders, and the shareholding of top ten shareholders and top ten unrestricted shareholders as of the end of reporting period

In Share

| Total number of shareholders (account) | | 16,247 | | | | | |
|--|--|----------------|----------------------------------|--|---------------------------------|--------|--------------------------------------|
| The shareholding of top ten shareholders | | | | | | | |
| Shareholder name (full name) | Number of shares held at the end of the period | Proportion (%) | Number of restricted shares held | Number of restricted shares including shares leased out for refinancing business | Description of pledge or freeze | | Nature of shareholders |
| | | | | | If pledged or frozen | Number | |
| Shenzhen Appotronics Holdings Limited | 79,762,679 | 17.66 | 79,762,679 | 79,762,679 | No | 0 | Non-state-owned corporation in China |

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| SAIF IV Hong Kong (China Investments) Limited | 58,707,119 | 13.00 | 0 | 0 | No | 0 | Oversea corporation |
|--|---|-------------------------------|------------|------------|----|---|---------------------|
| CITIC PE Investment (Hong Kong) 2016 Limited | 41,774,562 | 9.25 | 0 | 0 | No | 0 | Oversea corporation |
| Nantong Strait Appotronics Investment Partnership (LP) | 25,064,737 | 5.55 | 0 | 0 | No | 0 | Other |
| Shenzhen Yuanshi Laser Industrial Investment Consulting Partnership (LP) | 24,139,500 | 5.35 | 24,139,500 | 24,139,500 | No | 0 | Other |
| Shenzhen Appotronics Daye Investment Partnership (LP) | 20,430,250 | 4.52 | 20,430,250 | 20,430,250 | No | 0 | Other |
| GREEN FUTURE HOLDINGS LIMITED | 16,504,518 | 3.66 | 0 | 0 | No | 0 | Oversea corporation |
| Shenzhen Appotronics Hongye Investment Partnership (LP) | 15,662,374 | 3.47 | 15,662,374 | 15,662,374 | No | 0 | Other |
| Shenzhen Jinleijing Investment Limited Partnership (LP) | 12,353,106 | 2.74 | 12,353,106 | 12,353,106 | No | 0 | Other |
| Shenzhen Chengguhui Equity Investment Partnership (LP) | 10,443,640 | 2.31 | 0 | 0 | No | 0 | Other |
| The shareholding of top ten shareholders of non-restricted shares | | | | | | | |
| Shareholder name | Number of unrestricted circulating shares | Category and number of shares | | | | | |
| | | Category | Number | | | | |
| SAIF IV Hong Kong (China Investments) Limited | 58,707,119 | RMB ordinary shares | 58,707,119 | | | | |
| CITIC PE Investment (Hong Kong) 2016 Limited | 41,774,562 | RMB ordinary shares | 41,774,562 | | | | |

| | | | |
|--|--|---------------------|------------|
| Nantong Strait Appotronics Investment Partnership (LP) | 25,064,737 | RMB ordinary shares | 25,064,737 |
| GREEN FUTURE HOLDINGS LIMITED | 16,504,518 | RMB ordinary shares | 16,504,518 |
| Shenzhen Chengguhui Equity Investment Partnership (LP) | 10,443,640 | RMB ordinary shares | 10,443,640 |
| SMART TEAM INVESTMENT LIMITED | 6,799,660 | RMB ordinary shares | 6,799,660 |
| CAI Kunliang | 6,106,243 | RMB ordinary shares | 6,106,243 |
| ShenZhen Xiaoxiang Junyi Asset Management Co., Ltd. -Junyi Private Placement No.1 Privately Offered Investment Funds | 5,849,872 | RMB ordinary shares | 5,849,872 |
| ZHENG Yongshi | 5,833,817 | RMB ordinary shares | 5,833,817 |
| Shenzhen Liansong Capital Management Limited Partnership (LP) | 5,833,817 | RMB ordinary shares | 5,833,817 |
| Explanation for related-party relationship or concerted actions among aforementioned shareholders | As of the end of the reporting period, the Company has received no statement from aforementioned shareholders to confirm there is a related-party relationship or concerted action, except the concerted action among Shenzhen Appotronics Holdings Limited, Shenzhen Yuanshi Laser Industrial Investment Consulting Partnership (LP), Shenzhen Appotronics Daye Investment Partnership (LP), Shenzhen Appotronics Hongye Investment Partnership (LP), and Shenzhen Jinleijing Investment Limited Partnership (LP). | | |
| Explanation on preferred shareholders of voting power recovered and shareholding numbers | N/A | | |

2.3 Total number of preferred shareholders, and the shareholding of top ten preferred shareholders and top ten unrestricted preferred shareholders as of the end of reporting period

Applicable N/A

III. Significant Events

3.1 Significant changes in the Company's main accounting line items and financial highlights and reasons thereof

Applicable N/A

1. Changes in line items of the balance sheet and reasons thereof

In RMB

| Item | September 30, 2020 | December 31, 2019 | Proportion of change (%) | Reason for change |
|------------------------------|--------------------|-------------------|--------------------------|--|
| Cash and bank balances | 483,912,743.79 | 875,858,784.58 | -44.75 | Primarily due to increased oversea investments, more payments used for purchase of wealth management products, and repayment of certain borrowings in the current period |
| Accounts receivable | 99,577,072.66 | 176,035,155.24 | -43.43 | Primarily due to changes in product sales structure and model in the current reporting period as influenced by COVID-19 |
| Receivables financing | 12,362,600.00 | 1,980,500.00 | 524.22 | Primarily due to receipt of more bank acceptance bills in the current period |
| Inventories | 477,741,934.81 | 299,966,170.35 | 59.27 | Primarily due to increased material safety stock in response to COVID-19 and increased stock of finished goods in response to growth in the household business |
| Contract assets | 2,953,407.97 | - | N/A | Primarily due to the implementation of the new revenue standard |
| Long-term receivables | 12,746,195.72 | - | N/A | Primarily due to recognition of revenue from sales of products by installment with a financing nature in the current period |
| Long-term equity investments | 271,239,198.05 | 139,534,371.94 | 94.39 | Primarily due to recognition of investment in GDC and changes in investment income |
| Construction in progress | 36,727,517.41 | 20,132,004.07 | 82.43 | Primarily due to the increased investments in construction in progress of the headquarter building in the current period |
| Notes | 116,480,308.72 | 37,335,841.79 | 211.98 | Primarily due to more |

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| | | | | |
|---|----------------|----------------|--------|---|
| payable | | | | payments made by bank acceptance bills in the current period |
| Contract liabilities | 39,375,031.62 | - | N/A | Primarily due to the implementation of the new revenue standard |
| Employee benefits payable | 18,451,259.89 | 50,586,932.71 | -63.53 | Primarily due to the payment of 2019 year-end bonus in the current period |
| Taxes payable | 15,633,660.66 | 42,924,647.79 | -63.58 | Primarily due to the decreased payment of enterprise income tax and the decline in taxes payable in the current period |
| Other payables | 33,606,944.36 | 14,364,076.43 | 133.97 | Primarily due to increased government grants payable to cooperative entities and borrowings made by subsidiaries from minority shareholders |
| Non-current liabilities due within one year | 144,256,472.46 | 64,968,795.02 | 122.04 | Primarily due to the increased balance on long-term borrowings due within one year |
| Other current liabilities | 3,481,306.95 | - | N/A | Primarily due to increased output VAT to be recognized in contractual liabilities caused by the implementation of the new revenue standard |
| Long-term borrowings | 72,269,365.00 | 279,615,107.27 | -74.15 | Primarily due to increased balance on non-current liabilities due within one year transferred from long-term borrowings |
| Provisions | 36,085,966.30 | 27,072,676.49 | 33.29 | Primarily due to the provision made for three-guarantee services not yet incurred |
| Deferred tax liabilities | 1,897,071.51 | - | N/A | Primarily due to deferred tax liabilities recognized for income of installment collection |

2. Changes in line items of the income statement and reasons thereof

In RMB

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| Item | For the period from January 1, 2020 to September 30, 2020 | For the period from January 1, 2019 to September 30, 2019 | Proportion of change (%) | Reason for change |
|---|---|---|--------------------------|--|
| Financial expenses | 9,040,635.11 | 24,776,270.90 | -63.51 | Primarily due to decreased loan interest expenses and increased deposit interest income |
| Other income | 38,477,908.99 | 21,665,297.88 | 77.60 | Primarily due to increased government grants recognized in the current period |
| Non-operating income | 876,830.38 | 3,054,939.31 | -71.30 | Primarily due to receipt of compensations for litigation settlement in the prior period |
| Income tax expenses | 18,096,689.22 | 52,507,610.31 | -65.54 | Primarily due to the decreased current tax expenses caused by less profits before tax in the current period |
| Net profits | 16,647,218.80 | 160,004,297.63 | -89.60 | Primarily due to decreased gross profits, since the Company became less profitable as a result of decreased cinema service businesses due to COVID-19 and changes in the Company's product structure in the current period |
| Net profits attributable to shareholders of the Parent Company | 44,138,225.2 | 124,130,427.05 | -64.44 | Primarily due to decreases in net profits |
| Profits or losses attributable to minority shareholders | -27,491,006.43 | 35,873,870.58 | -176.63 | Primarily due to losses from subsidiaries controlled by the Company in the current period |
| Other comprehensive income that can be attributable to owners of the Parent Company, net of tax | 2,205,949.42 | 5,330,380.33 | -58.62 | Primarily due to changes in exchange differences on translation of financial statements denominated in foreign currencies and other comprehensive income from translation of financial statement of the investee caused by exchange fluctuations |
| Other | 6,635,497.46 | - | N/A | Primarily due to increases in other |

| | | | | |
|---|---------------|--------------|---------|---|
| comprehensive income that can be reclassified to profit or loss under the equity method | | | | comprehensive income of the investee that can be recognized and transferred to profit or loss in the current period |
| Exchange differences on translation of financial statements denominated in foreign currencies | -4,429,548.04 | 5,330,380.33 | -183.10 | Primarily due to exchange fluctuations |
| Basic earnings per share | 0.10 | 0.31 | -67.74 | Primarily due to the decline in earnings per share caused by decreased net profits attributable to shareholders of the listed Company |

3. Changes in line items of the cash flow statement and reasons thereof

In RMB

| Item | For the period from January 1, 2020 to September 30, 2020 | For the period from January 1, 2019 to September 30, 2019 | Proportion of change (%) | Reason for change |
|--|---|---|--------------------------|---|
| Net cash flow from operating activities | 113,316,743.29 | 54,312,138.69 | 108.64 | Primarily due to the increased amount of collection from businesses, decreased expenditures under reasonable control, and decreased payments of taxes and levies |
| Net cash flow from financing activities | -181,011,186.90 | 1,000,513,933.95 | -118.09 | Primarily due to no equity capital contributed to the Company in the current period while a number of funds raised in the prior period by IPO, and repayment of bank borrowings in succession |
| Effect of foreign exchange rate changes on cash and cash | -3,483,946.39 | 3,876,393.28 | -189.88 | Primarily due to exchange profit or loss and the exchange differences on translation of financial statements denominated in foreign currencies |

| | | | | |
|-------------|--|--|--|--|
| equivalents | | | | |
|-------------|--|--|--|--|

3.2 Description of analysis on progresses of significant events and their influences and solutions

√Applicable □ N/A

(I) Litigation

1.Civil litigation and arbitration cases where the Company acted as a defendant

| Case No. | Cause of action | Plaintiff | Defendant/Appellee | Patents involved | Amount involved | Progress |
|----------------------------------|---|-------------------------|--|------------------|-----------------|-----------------------|
| (2019) Yue 73 Zhi Min Chu No.662 | Infringement of patent rights of inventions | Delta Electronics, Inc. | Appotronics Corporation Limited; Shenzhen Futian Suopuni Projection Video System Commercial Firm | ZL201610387831.8 | RMB 16,145,300 | Suspension of hearing |
| (2019) Jing 73 Min Chu No.1275 | Infringement of patent rights of inventions | Delta Electronics, Inc. | Fengmi (Beijing) Technology Co., Ltd.; Appotronics Corporation Limited | ZL201410249663.7 | RMB 16,010,000 | Pending |
| (2019) Jing 73 Min Chu No.1276 | | | | ZL201610387831.8 | RMB 16,010,000 | Pending |
| (2019) Jing 73 Min Chu No.1278 | | | | ZL201010624724.5 | RMB 16,010,000 | Pending |

As of the disclosure date of the report, there have been 4 civil litigation cases where the Company was a defendant, with details as below:

2.Civil litigation and arbitration cases where the Company acted as a plaintiff

As of the disclosure date of the report, there have been 45 civil litigation cases where the Company acted as a plaintiff. In these cases, 43 cases were caused by infringement of invention patents with relevant claims as follows: requiring the defendant to stop infringing the Company's patents for invention and destroy the equipment and mold, etc. used to produce the infringed products; requiring the defendant to compensate the plaintiff with economic losses and reasonable expenses incurred for stopping the infringement, and to bear the joint and several liability. No other credit and debt disputes were involved. And 2 cases were brought for correcting the inventors of the patents, with relevant claims of correcting LI Yi and HU Fei as the inventors of the US Patent No. 9,024,241 and the China Patent No. ZL201610387831.8.

3. Progress on cases.

(1) In March 2020, the Company concluded the *Mediation Agreement* with Casio Computer Co., Ltd., pursuant to which both parties voluntarily reached a mediation on a number of litigation cases, and

withdrew relevant cases respectively. As of the disclosure date of the report, the withdrawal of cases by both parties has been completed.

(2) In August 2020, the Company concluded the *Mediation Agreement* with Chengdu Xgimi Technology Co., Ltd., pursuant to which both parties voluntarily reached a mediation on a number of litigation cases, and withdrew relevant cases respectively. As of the disclosure date of the report, the withdrawal of cases by both parties has been completed.

(3) The Company has received the Civil Judgement ((2019) Jing 73 Min Chu No.1277) decided by Beijing Intellectual Property Court in September 2020, in which Beijing Intellectual Property Court rejected the litigation brought by the plaintiff (Delta) against the defendant (the Company) for infringement of invention patents since the patents involved in this case was announced as invalidate by China National Intellectual Property Administration.

(II) Invalidation plea

1. Invalidation plea cases where the Company acted as a patentee

As of the disclosure date of the report, there have been 2 invalidation plea cases where the Company acted as a patentee, with details as below:

| Serial No. | Case code | Current Patentee | Patent No. involved | Petitioner for invalidation | Remark |
|------------|-----------|---------------------------------|---------------------|--|--|
| 1 | 4W110045 | Appotronics Corporation Limited | ZL200880107739.5 | Delta Electronics (Shanghai) Co., Ltd. | China National Intellectual Property Administration accepted the invalidation plea. Details were disclosed in 2020-007 Temporary Announcement. |
| 2 | 4W110680 | Appotronics Corporation Limited | ZL200880107739.5 | WEI Qun | China National Intellectual Property Administration accepted the invalidation plea. Details were disclosed in 2020-045 Temporary Announcement. |

2. Invalidation plea cases where the Company acted a petitioner

As of the disclosure date of the report, there have been 3 invalidation plea cases where the Company acted as a petitioner, all of which are related to the invalidation plea against patents held by Delta Electronics, Inc.

3.3 Commitments failed in completion as scheduled within the reporting period

Applicable N/A

3.4 Warning of the estimate that the accumulated net profits from the beginning of the year to the end of the next reporting period will be negative or will change significantly comparing with the same period of the previous year, and description of reasons

Applicable N/A

| | |
|----------------------|---------------------------------|
| Company name | Appotronics Corporation Limited |
| Legal Representative | BO Lianming |
| Date | October 29, 2020 |

IV. Annex

4.1 Financial statements

Consolidated Balance Sheet

September 30, 2020

Prepared by: Appotronics Corporation Limited

In RMB, Unaudited

| Item | September 30, 2020 | December 31, 2019 |
|--|--------------------|-------------------|
| Current Assets: | | |
| Cash and bank balances | 483,912,743.79 | 875,858,784.58 |
| Balances with clearing agencies | | |
| Placements with banks and other financial institutions | | |
| Held-for-trading financial assets | 664,000,000.00 | 540,000,000.00 |
| Derivative financial assets | | |
| Notes receivable | 3,578,388.84 | 4,042,559.63 |
| Accounts receivable | 99,577,072.66 | 176,035,155.24 |
| Receivables financing | 12,362,600.00 | 1,980,500.00 |
| Prepayments | 35,448,165.42 | 35,070,999.13 |
| Premiums receivable | | |
| Amounts receivable under reinsurance contracts | | |
| Reinsurer's share of insurance contract reserves | | |
| Other receivables | 12,796,292.05 | 9,618,750.08 |
| Including: Interest receivable | | |
| Dividends receivable | | |
| Financial assets purchased under resale agreements | | |
| Inventories | 477,741,934.81 | 299,966,170.35 |
| Contract assets | 2,953,407.97 | |
| Held-for-sale assets | | |
| Non-current assets due within one year | | |
| Other current assets | 35,010,163.96 | 44,405,513.30 |
| Total Current Assets | 1,827,380,769.50 | 1,986,978,432.31 |
| Non-current Assets: | | |
| Loans and advances | | |
| Debt investments | | |
| Other debt investments | | |
| Long-term receivables | 12,746,195.72 | |

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| | | |
|--|------------------|------------------|
| Long-term equity investments | 271,239,198.05 | 139,534,371.94 |
| Other equity instrument investments | 11,975,419.38 | 11,975,419.38 |
| Other non-current financial assets | | |
| Investment properties | | |
| Fixed assets | 450,146,136.15 | 471,204,340.95 |
| Construction in progress | 36,727,517.41 | 20,132,004.07 |
| Bearer biological assets | | |
| Oil and gas assets | | |
| Use right assets | | |
| Intangible assets | 324,511,996.30 | 332,331,324.07 |
| Development expenditure | | |
| Goodwill | | |
| Long-term prepaid expenses | 13,383,417.40 | 16,908,070.34 |
| Deferred tax assets | 108,168,696.46 | 109,023,941.85 |
| Other non-current assets | 8,272,168.29 | 11,420,185.94 |
| Total Non-current Assets | 1,237,170,745.16 | 1,112,529,658.54 |
| Total assets | 3,064,551,514.66 | 3,099,508,090.85 |
| Current Liabilities: | | |
| Short-term borrowings | 54,021,724.03 | 76,765,319.05 |
| Loans from the central bank | | |
| Taking from banks and other financial institutions | | |
| Held-for-trading financial liabilities | | |
| Derivative financial liabilities | | |
| Notes payable | 116,480,308.72 | 37,335,841.79 |
| Accounts payable | 201,363,644.22 | 176,624,445.46 |
| Receipts in advance | 171,459,573.95 | 184,444,643.33 |
| Contract liabilities | 39,375,031.62 | |
| Financial assets sold under repurchase agreements | | |
| Customer deposits and deposits from banks and other financial institutions | | |
| Funds from securities trading agency | | |
| Funds from underwriting securities agency | | |
| Employee benefits payable | 18,451,259.89 | 50,586,932.71 |
| Taxes payable | 15,633,660.66 | 42,924,647.79 |
| Other payables | 33,606,944.36 | 14,364,076.43 |

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| | | |
|--|-------------------------|-------------------------|
| Including: Interest payable | | |
| Dividends payable | | |
| Fees and commissions payable | | |
| Amounts payable under reinsurance contracts | | |
| Held-for-sale liabilities | | |
| Non-current liabilities due within one year | 144,256,472.46 | 64,968,795.02 |
| Other current liabilities | 3,481,306.95 | |
| Total Current Liabilities | 798,129,926.86 | 648,014,701.58 |
| Non-current Liabilities: | | |
| Insurance contract reserves | | |
| Long-term borrowings | 72,269,365.00 | 279,615,107.27 |
| Bonds payable | | |
| Including: Preferred shares | | |
| Perpetual bonds | | |
| Leasing liabilities | | |
| Long-term payables | 3,405,050.00 | 3,488,100.00 |
| Long-term employee benefits payable | | |
| Provisions | 36,085,966.30 | 27,072,676.49 |
| Deferred income | 16,669,272.16 | 17,108,361.69 |
| Deferred tax liabilities | 1,897,071.51 | |
| Other non-current liabilities | | |
| Total Non-current Liabilities | 130,326,724.97 | 327,284,245.45 |
| Total Liabilities | 928,456,651.83 | 975,298,947.03 |
| Owners' (or Shareholders') equity: | | |
| Paid-in capital (or share capital) | 451,554,411.00 | 451,554,411.00 |
| Other equity instruments | | |
| Including: Preferred shares | | |
| Perpetual bonds | | |
| Capital reserve | 1,231,919,941.73 | 1,207,942,318.37 |
| Less: Treasury shares | | |
| Other comprehensive income | 5,493,013.27 | 3,287,063.85 |
| Special reserve | | |
| Surplus reserve | 22,800,224.13 | 22,800,224.13 |
| General risk reserve | | |
| Retained profits | 300,526,199.56 | 288,975,820.29 |
| Total Owners'(or Shareholders') Equity Attributable to Owners of the Parent Company | 2,012,293,789.69 | 1,974,559,837.64 |

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| | | |
|---|------------------|------------------|
| Minority interests | 123,801,073.14 | 149,649,306.18 |
| Total Owners' (or Shareholders') Equity | 2,136,094,862.83 | 2,124,209,143.82 |
| Total Liabilities and Owners' (or Shareholders') Equity | 3,064,551,514.66 | 3,099,508,090.85 |

Legal Representative:
BO Lianming

Person in Charge of the Accounting Body:
ZHAO Ruijin

Chief Accountant:
WEI Yanlin

Balance Sheet of the Parent Company

September 30, 2020

Prepared by: Appotronics Corporation Limited

In RMB, Unaudited

| Item | September 30, 2020 | December 31, 2019 |
|--|--------------------|-------------------|
| Current Assets: | | |
| Cash and bank balances | 216,612,378.99 | 570,479,390.49 |
| Held-for-trading financial assets | 664,000,000.00 | 540,000,000.00 |
| Derivative financial assets | | |
| Notes receivable | 2,092,388.84 | 3,542,559.63 |
| Accounts receivable | 463,796,378.00 | 299,315,776.44 |
| Receivables financing | 963,600.00 | 442,500.00 |
| Prepayments | 8,721,611.47 | 6,410,257.48 |
| Other receivables | 66,009,326.55 | 67,227,575.21 |
| Including: Interest receivable | | |
| Dividends receivable | | |
| Inventories | 181,941,472.22 | 135,617,379.22 |
| Contract assets | 2,922,380.97 | |
| Held-for-sale assets | | |
| Non-current assets due within one year | | |
| Other current assets | 865,332.73 | 12,280,164.39 |
| Total Current Assets | 1,607,924,869.77 | 1,635,315,602.86 |
| Non-current Assets: | | |
| Debt investments | | |
| Other debt investments | | |
| Long-term receivables | 12,746,195.72 | |
| Long-term equity investments | 396,013,887.97 | 257,795,276.13 |
| Other equity instrument investments | 7,075,419.38 | 7,075,419.38 |
| Other non-current financial assets | | |
| Investment properties | | |

The Third Quarter Report in 2020

| | | |
|---|------------------|------------------|
| Fixed assets | 56,765,974.51 | 60,391,512.92 |
| Construction in progress | 25,048,282.58 | 1,385,496.59 |
| Bearer biological assets | | |
| Oil and gas assets | | |
| Use right assets | | |
| Intangible assets | 323,310,924.93 | 330,796,423.87 |
| Development expenditure | | |
| Goodwill | | |
| Long-term prepaid expenses | 10,805,041.05 | 12,771,126.83 |
| Deferred tax assets | 10,644,168.16 | 9,545,438.20 |
| Other non-current assets | 8,019,915.94 | 6,744,453.85 |
| Total Non-current Assets | 850,429,810.24 | 686,505,147.77 |
| Total assets | 2,458,354,680.01 | 2,321,820,750.63 |
| Current Liabilities: | | |
| Short-term borrowings | 51,888,902.86 | 10,217,738.36 |
| Held-for-trading financial liabilities | | |
| Derivative financial liabilities | | |
| Notes payable | 29,637,714.78 | 37,335,841.79 |
| Accounts payable | 202,684,447.31 | 162,596,838.45 |
| Receipts in advance | 3,626,119.84 | 11,116,659.11 |
| Contract liabilities | 18,804,754.20 | |
| Employee benefits payable | 10,011,782.35 | 26,985,668.92 |
| Taxes payable | 9,235,517.95 | 1,534,242.70 |
| Other payables | 39,949,486.90 | 42,599,703.36 |
| Including: Interest payable | | |
| Dividends payable | | |
| Held-for-sale liabilities | | |
| Non-current liabilities due within one year | | |
| Other current liabilities | 1,111,100.27 | |
| Total Current Liabilities | 366,949,826.46 | 292,386,692.69 |
| Non-current Liabilities: | | |
| Long-term borrowings | | |
| Bonds payable | | |
| Including: Preferred shares | | |
| Perpetual bonds | | |
| Leasing liabilities | | |
| Long-term payables | 3,405,050.00 | 3,488,100.00 |
| Long-term employee benefits payable | | |
| Provisions | 20,322,447.21 | 14,631,273.00 |

The Third Quarter Report in 2020

| | | |
|---|------------------|------------------|
| Deferred income | 14,116,988.26 | 15,724,174.30 |
| Deferred tax liabilities | 1,897,071.51 | |
| Other non-current liabilities | | |
| Total Non-current Liabilities | 39,741,556.98 | 33,843,547.30 |
| Total Liabilities | 406,691,383.44 | 326,230,239.99 |
| Owners' (or Shareholders') equity: | | |
| Paid-in capital (or share capital) | 451,554,411.00 | 451,554,411.00 |
| Other equity instruments | | |
| Including: Preferred shares | | |
| Perpetual bonds | | |
| Capital reserve | 1,337,176,090.85 | 1,310,939,867.82 |
| Less: Treasury shares | | |
| Other comprehensive income | | |
| Special reserve | | |
| Surplus reserve | 21,522,683.40 | 21,522,683.40 |
| Retained profits | 241,410,111.32 | 211,573,548.42 |
| Total Owners' (or Shareholders') Equity | 2,051,663,296.57 | 1,995,590,510.64 |
| Total Liabilities and Owners' (or Shareholders') Equity | 2,458,354,680.01 | 2,321,820,750.63 |

Legal Representative:
BO Lianming

Person in Charge of the Accounting Body:
ZHAO Ruijin

Chief Accountant:
WEI Yanlin

Consolidated Income Statement

For the period from January 1, 2020 to September 30, 2020

Prepared by: Appotronics Corporation Limited

In RMB, Unaudited

| Item | The third quarter in 2020 (Jul.-Sep.) | The third quarter in 2019 (Jul.-Sep.) | First three quarters in 2020 (Jan.-Sep.) | First three quarters in 2019 (Jan.-Sep.) |
|-----------------------------|--|--|---|---|
| I. Total operating income | 522,373,501.53 | 498,415,347.23 | 1,238,398,708.87 | 1,351,772,312.07 |
| Including: Operating income | 522,373,501.53 | 498,415,347.23 | 1,238,398,708.87 | 1,351,772,312.07 |
| Interest income | | | | |
| Premiums earned | | | | |
| Fee and commission income | | | | |
| II. Total operating costs | 492,353,168.32 | 411,966,261.96 | 1,248,451,362.20 | 1,154,091,473.61 |
| Including: Operating costs | 362,665,544.45 | 284,068,967.95 | 892,453,334.39 | 795,826,871.07 |
| Interest expenses | | | | |

The Third Quarter Report in 2020

| | | | | |
|---|---------------|---------------|----------------|----------------|
| Fee and commission expenses | | | | |
| Surrenders | | | | |
| Claims and policyholder benefits (net of amounts recoverable from reinsurers) | | | | |
| Net withdrawal of insurance contract reserves | | | | |
| Insurance policyholder dividends | | | | |
| Expenses for reinsurance accepted | | | | |
| Taxes and levies | 1,875,651.83 | 1,366,675.04 | 4,205,362.39 | 5,703,626.02 |
| Selling expenses | 32,244,998.41 | 40,911,236.25 | 83,078,892.91 | 101,496,726.09 |
| Administrative expenses | 35,301,623.47 | 30,123,132.33 | 113,115,280.56 | 88,900,870.55 |
| R&D expenses | 59,262,406.09 | 48,077,619.18 | 146,557,856.84 | 137,387,108.98 |
| Financial expenses | 1,002,944.07 | 7,418,631.21 | 9,040,635.11 | 24,776,270.90 |
| Including: Interest expense | 4,581,708.83 | 9,497,830.74 | 16,194,534.70 | 27,765,589.66 |
| Interest income | 2,747,375.10 | 930,400.88 | 7,366,346.43 | 3,917,258.16 |
| Add: other income | 5,555,874.02 | 4,248,188.77 | 38,477,908.99 | 21,665,297.88 |
| Investment income (loss is indicated by "-") | 883,334.96 | 1,336,694.88 | 12,610,023.47 | -2,123,921.67 |
| Including: Income from investments in associates and joint ventures | -1,051,048.60 | 590,426.97 | -149,153.80 | -2,867,879.34 |
| Gains from derecognition of financial assets at amortized assets | | | | |
| Foreign exchange gains (loss is indicated by "-") | | | | |
| Gains from net exposure hedges (loss is indicated by "-") | | | | |
| Gains from changes in fair values (loss is indicated by "-") | | | | |
| Losses of credit impairment (loss is indicated by "-") | 28,945.51 | -1,048,679.97 | 2,199,052.47 | -1,810,440.85 |
| Impairment losses of assets (loss is indicated by "-") | 3,180,219.96 | -3,528,161.53 | -8,929,461.13 | -4,907,457.63 |
| Gains from disposal of assets (loss is indicated by "-") | 266,622.24 | | 416,243.15 | |
| III. Operating profit (loss is | 39,935,329.90 | 87,457,127.42 | 34,721,113.62 | 210,504,316.19 |

The Third Quarter Report in 2020

| | | | | |
|--|---------------|---------------|----------------|----------------|
| indicated by “-”) | | | | |
| Add: Non-operating income | 606,214.90 | 724,763.47 | 876,830.38 | 3,054,939.31 |
| Less: Non-operating expenses | 113,334.03 | 16,012.88 | 854,035.98 | 1,047,347.56 |
| IV. Total profits (total losses are indicated by “-”) | 40,428,210.77 | 88,165,878.01 | 34,743,908.02 | 212,511,907.94 |
| Less: Income tax expenses | 15,402,747.80 | 19,367,396.57 | 18,096,689.22 | 52,507,610.31 |
| V. Net profits (net losses are indicated by “-”) | 25,025,462.97 | 68,798,481.44 | 16,647,218.80 | 160,004,297.63 |
| (I) Categorized by the continuity of operation | | | | |
| 1. Net profits from continuing operations (net losses are indicated by “-”) | 25,025,462.97 | 68,798,481.44 | 16,647,218.80 | 160,004,297.63 |
| 2. Net profits from discontinued operations (net losses are indicated by “-”) | | | | |
| (II) Categorized by the ownership | | | | |
| 1. Net profits attributable to shareholders of the Parent Company (net losses are indicated by “-”) | 29,810,782.27 | 57,550,852.99 | 44,138,225.23 | 124,130,427.05 |
| 2. Profits or losses attributable to minority shareholders (net losses are indicated by “-”) | -4,785,319.30 | 11,247,628.45 | -27,491,006.43 | 35,873,870.58 |
| VI. Other comprehensive income, net of tax | 1,196,980.13 | 5,961,476.67 | 2,236,630.70 | 5,526,550.64 |
| (I) Other comprehensive income that can be attributable to owners of the Parent Company, net of tax | 1,192,134.22 | 5,763,041.54 | 2,205,949.42 | 5,330,380.33 |
| 1. Other comprehensive income that cannot be reclassified subsequently to profit or loss | | | | |
| (1) Changes from remeasurement of defined benefit plans | | | | |
| (2) Other comprehensive income that cannot be reclassified to profit or loss under the equity method | | | | |
| (3) Changes in fair value of investments in other equity instruments | | | | |

| | | | | |
|---|---------------|---------------|----------------|----------------|
| (4) Changes in fair value of enterprises' own credit risks | | | | |
| 2. Other comprehensive income that will be reclassified to profit or loss | 1,192,134.22 | 5,763,041.54 | 2,205,949.42 | 5,330,380.33 |
| (1) Other comprehensive income that can be reclassified to profit or loss under the equity method | 6,771,203.77 | | 6,635,497.46 | |
| (2) Changes in fair value of other debt investments | | | | |
| (3) Amount of financial assets reclassified to other comprehensive income | | | | |
| (4) Provision for credit impairment of other debt investments | | | | |
| (5) Reserve for cash flow hedges | | | | |
| (6) Exchange differences on translation of financial statements denominated in foreign currencies | -5,579,069.55 | 5,763,041.54 | -4,429,548.04 | 5,330,380.33 |
| (7) Others | | | | |
| (II) Other comprehensive income that can be attributable to minority shareholders, net of tax | 4,845.91 | 198,435.13 | 30,681.28 | 196,170.31 |
| VII. Total comprehensive income | 26,222,443.10 | 74,759,958.11 | 18,883,849.50 | 165,530,848.27 |
| (I) Total comprehensive income that can be attributable to owners of the Parent Company | 31,002,916.49 | 63,313,894.53 | 46,344,174.65 | 129,460,807.38 |
| (II) Total comprehensive income that can be attributable to minority shareholders | -4,780,473.39 | 11,446,063.58 | -27,460,325.15 | 36,070,040.89 |
| VIII. Earnings per share: | | | | |
| (I) Basic earnings per share (RMB/share) | 0.07 | 0.13 | 0.10 | 0.31 |
| (II) Diluted earnings per share (RMB/share) | 0.07 | 0.13 | 0.10 | 0.31 |

For business combination involving entities under common control occurred during the period, net profit of the acquiree generated before the business combination is nil, and net profit of the acquiree generated in prior period is nil.

The Third Quarter Report in 2020

Legal Representative:
BO Lianming

Person in Charge of the Accounting Body:
ZHAO Ruijin

Chief Accountant:
WEI Yanlin

Income Statement of the Parent Company

For the period from January 1, 2020 to September 30, 2020

Prepared by: Appotronics Corporation Limited

In RMB, Unaudited

| Item | The third quarter in 2020 (Jul.-Sep.) | The third quarter in 2019 (Jul.-Sep.) | First three quarters in 2020 (Jan.-Sep.) | First three quarters in 2019 (Jan.-Sep.) |
|--|--|--|---|--|
| I. Operating income | 321,136,628.42 | 307,161,249.72 | 706,036,006.83 | 734,845,754.76 |
| Less: Operating costs | 210,335,903.75 | 210,261,659.31 | 466,996,690.72 | 500,905,328.28 |
| Taxes and levies | 1,391,857.62 | 902,012.24 | 2,743,998.63 | 3,973,767.05 |
| Selling expenses | 18,123,753.89 | 18,079,644.26 | 45,650,045.32 | 58,924,010.31 |
| Administrative expenses | 24,400,714.23 | 20,134,847.79 | 80,711,100.08 | 59,260,571.86 |
| R&D expenses | 26,576,762.26 | 28,831,641.70 | 77,662,616.80 | 84,997,067.84 |
| Financial expenses | -4,809,654.16 | -2,880,026.75 | -11,027,775.23 | -3,006,419.68 |
| Including: Interest expense | 283,643.73 | 2,335,383.75 | 709,466.06 | 4,389,365.84 |
| Interest income | 4,571,775.39 | 2,935,596.65 | 13,654,169.54 | 7,069,117.92 |
| Add: other income | 4,129,368.65 | 607,742.78 | 30,529,269.12 | 10,475,701.91 |
| Investment income (loss is indicated by “-”) | 1,934,383.56 | 743,957.67 | 12,759,177.27 | 679,415.34 |
| Including: Income from investments in associates and joint ventures | | | | |
| Gains from derecognition of financial assets at amortized assets | | | | |
| Gains from net exposure hedges (loss is indicated by “-”) | | | | |
| Gains from changes in fair values | | | | |

The Third Quarter Report in 2020

| | | | | |
|---|---------------|---------------|---------------|---------------|
| (loss is indicated by “-”) | | | | |
| Losses of credit impairment (loss is indicated by “-”) | -2,016,863.43 | -871,600.60 | -2,161,444.58 | -12,156.94 |
| Impairment losses of assets (loss is indicated by “-”) | 3,899,393.36 | -4,198,384.12 | -6,700,815.24 | -5,699,937.03 |
| Gains from disposal of assets (loss is indicated by “-”) | | | | |
| II. Operating profit (loss is indicated by “-”) | 53,063,572.97 | 28,113,186.90 | 77,725,517.08 | 35,234,452.38 |
| Add: Non-operating income | 412,668.90 | 724,525.69 | 665,988.51 | 3,050,319.64 |
| Less: Non-operating expenses | 103,832.72 | 2,883.78 | 454,220.06 | 842,320.05 |
| III. Total profits (total losses are indicated by “-”) | 53,372,409.15 | 28,834,828.81 | 77,937,285.53 | 37,442,451.97 |
| Less: Income tax expenses | 9,475,176.74 | 4,351,071.49 | 14,234,141.80 | 5,609,048.39 |
| IV. Net profits (net losses are indicated by “-”) | 43,897,232.41 | 24,483,757.32 | 63,703,143.73 | 31,833,403.58 |
| (I) Net profits from continuing operations (net losses are indicated by “-”) | 43,897,232.41 | 24,483,757.32 | 63,703,143.73 | 31,833,403.58 |
| (II) Net profits from discontinued operations (net losses are indicated by “-”) | | | | |
| V. Other comprehensive income, net of tax | | | | |
| (I) Other comprehensive income that cannot be reclassified subsequently to profit or loss | | | | |
| 1.Changes from remeasurement of defined benefit plans | | | | |
| 2. Other comprehensive income | | | | |

| | | | | |
|--|---------------|---------------|---------------|---------------|
| that cannot be reclassified to profit or loss under the equity method | | | | |
| 3.Changes in fair value of investments in other equity instruments | | | | |
| 4.Changes in fair value of enterprises' own credit risks | | | | |
| (II) Other comprehensive income that will be reclassified to profit or loss | | | | |
| 1. Other comprehensive income that can be reclassified to profit or loss under the equity method | | | | |
| 2. Changes in fair value of other debt investments | | | | |
| 3. Amount of financial assets reclassified to other comprehensive income | | | | |
| 4.Provision for credit impairment of other debt investments | | | | |
| 5. Reserve for cash flow hedges | | | | |
| 6. Exchange differences on translation of financial statements denominated in foreign currencies | | | | |
| 7. Others | | | | |
| VI. Total comprehensive income | 43,897,232.41 | 24,483,757.32 | 63,703,143.73 | 31,833,403.58 |
| VII. Earnings per share: | | | | |
| (I) Basic earnings per share (RMB/share) | 0.10 | 0.06 | 0.14 | 0.08 |
| (II) Diluted earnings | 0.10 | 0.06 | 0.14 | 0.08 |

The Third Quarter Report in 2020

| | | | |
|-----------------------|--|--|--|
| per share (RMB/share) | | | |
|-----------------------|--|--|--|

Legal Representative:
BO Lianming

Person in Charge of the Accounting Body:
ZHAO Ruijin

Chief Accountant:
WEI Yanlin

Consolidated Cash Flow Statement

For the period from January 1, 2020 to September 30, 2020

Prepared by: Appotronics Corporation Limited

In RMB, Unaudited

| Item | First three quarters in 2020 (Jan.-Sep.) | First three quarters in 2019 (Jan.-Sep.) |
|--|---|---|
| I. Cash Flows from Operating Activities: | | |
| Cash receipts from the sale of goods and the rendering of services | 1,457,706,115.99 | 1,524,765,547.43 |
| Net increase in customer deposits and deposits from banks and other financial institutions | | |
| Net increase in loans from the central bank | | |
| Net increase in taking from banks and other financial institutions | | |
| Cash receipts from premiums under direct insurance contracts | | |
| Net cash receipts from reinsurance business | | |
| Net cash receipts from policyholders' deposits and investment contract liabilities | | |
| Cash receipts from interest, fees and commissions | | |
| Net increase in taking from banks | | |
| Net increase in financial assets sold under repurchase arrangements | | |
| Net cash received from securities trading agencies | | |
| Receipts of tax refunds | 5,764,495.55 | 3,992,454.55 |
| Other cash receipts relating to operating activities | 131,484,147.03 | 60,269,533.11 |
| Sub-total of cash inflows from | 1,594,954,758.57 | 1,589,027,535.09 |

The Third Quarter Report in 2020

| | | |
|---|------------------|------------------|
| operating activities | | |
| Cash payments for goods purchased and services received | 1,026,554,782.15 | 1,000,432,638.11 |
| Net increase in loans and advances to customers | | |
| Net increase in balance with the central bank and due from banks and other financial institutions | | |
| Cash payments for claims and policyholders' benefits under direct insurance contracts | | |
| Net increase in placements with banks and other financial institutions | | |
| Cash payments for interest, fees and commissions | | |
| Cash payments for insurance policyholder dividends | | |
| Cash payments to and on behalf of employees | 224,599,412.16 | 212,824,743.40 |
| Payments of various types of taxes | 55,076,208.73 | 122,094,156.48 |
| Other cash payments relating to operating activities | 175,407,612.24 | 199,363,858.41 |
| Sub-total of cash outflows from operating activities | 1,481,638,015.28 | 1,534,715,396.40 |
| Net cash flow from operating activities | 113,316,743.29 | 54,312,138.69 |
| II. Cash Flows from Investing Activities: | | |
| Cash receipts from disposals and recovery of investments | 1,810,000,000.00 | 193,700,000.00 |
| Cash receipts from investment income | 12,759,177.27 | 743,957.67 |
| Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets | 3,600.00 | 4,467.91 |
| Net cash receipts from disposals of subsidiaries and other business units | | |
| Other cash receipts relating to investing activities | | |
| Sub-total of cash inflows from investing activities | 1,822,762,777.27 | 194,448,425.58 |
| Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets | 44,898,632.06 | 214,874,928.72 |

The Third Quarter Report in 2020

| | | |
|---|------------------|-------------------|
| Cash payments to acquire investments | 2,062,213,540.00 | 1,049,000,000.00 |
| Net increase in pledged loans receivables | | |
| Net cash payments for acquisitions of subsidiaries and other business units | | |
| Other cash payments relating to investing activities | | |
| Sub-total of cash outflows from investing activities | 2,107,112,172.06 | 1,263,874,928.72 |
| Net cash flow from investing activities | -284,349,394.79 | -1,069,426,503.14 |
| III. Cash Flows from Financing Activities: | | |
| Cash receipts from capital contributions | | 1,190,000,000.00 |
| Including: cash receipts from capital contributions from minority shareholders of subsidiaries | | |
| Cash receipts from borrowings | 98,922,683.45 | 339,450,000.00 |
| Other cash receipts relating to financing activities | 19,320,000.00 | |
| Sub-total of cash inflows from financing activities | 118,242,683.45 | 1,529,450,000.00 |
| Cash repayments of borrowings | 248,568,075.70 | 390,125,379.80 |
| Cash payments for distribution of dividends or profits or settlement of interest expenses | 50,497,914.29 | 26,476,981.84 |
| Including: payments for distribution of dividends or profits to minority shareholders of subsidiaries | | |
| Other cash payments relating to financing activities | 187,880.36 | 112,333,704.41 |
| Sub-total of cash outflows from financing activities | 299,253,870.35 | 528,936,066.05 |
| Net cash flow from financing activities | -181,011,186.90 | 1,000,513,933.95 |
| IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents | -3,483,946.39 | 3,876,393.28 |
| V. Net Increase in Cash and Cash Equivalents | -355,527,784.79 | -10,724,037.22 |
| Add: Opening balance of cash and cash equivalents | 829,789,487.86 | 472,508,550.40 |

| | | |
|---|----------------|----------------|
| VI. Closing Balance of Cash and Cash Equivalents | 474,261,703.07 | 461,784,513.18 |
|---|----------------|----------------|

Legal Representative:
BO Lianming

Person in Charge of the Accounting Body:
ZHAO Ruijin

Chief Accountant:
WEI Yanlin

Cash Flow Statement of the Parent Company

For the period from January 1, 2020 to September 30, 2020

Prepared by: Appotronics Corporation Limited

In RMB, Unaudited

| Item | First three quarters in 2020 (Jan.-Sep.) | First three quarters in 2019 (Jan.-Sep.) |
|--|---|---|
| I. Cash Flows from Operating Activities: | | |
| Cash receipts from the sale of goods and the rendering of services | 623,172,212.09 | 759,373,200.75 |
| Receipts of tax refunds | 3,108,523.77 | |
| Other cash receipts relating to operating activities | 185,835,186.09 | 189,854,012.75 |
| Sub-total of cash inflows from operating activities | 812,115,921.95 | 949,227,213.50 |
| Cash payments for goods purchased and services received | 538,963,144.43 | 478,755,326.24 |
| Cash payments to and on behalf of employees | 135,740,648.27 | 134,584,562.50 |
| Payments of various types of taxes | 12,715,535.03 | 45,613,336.41 |
| Other cash payments relating to operating activities | 135,880,309.94 | 292,741,755.03 |
| Sub-total of cash outflows from operating activities | 823,299,637.67 | 951,694,980.18 |
| Net cash flow from operating activities | -11,183,715.72 | -2,467,766.68 |
| II. Cash Flows from Investing Activities: | | |
| Cash receipts from disposals and recovery of investments | 1,810,000,000.00 | 194,635,457.67 |
| Cash receipts from investment income | 12,759,177.27 | 743,957.67 |
| Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets | 3,600.00 | |

The Third Quarter Report in 2020

| | | |
|--|------------------|-------------------|
| Net cash receipts from disposals of subsidiaries and other business units | | |
| Other cash receipts relating to investing activities | 283,360.00 | |
| Sub-total of cash inflows from investing activities | 1,823,046,137.27 | 195,379,415.34 |
| Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets | 34,717,483.03 | 206,491,618.76 |
| Cash payments to acquire investments | 2,065,213,540.00 | 1,084,364,000.00 |
| Net cash payments for acquisitions of subsidiaries and other business units | | |
| Other cash payments relating to investing activities | 33,440,160.00 | |
| Sub-total of cash outflows from investing activities | 2,133,371,183.03 | 1,290,855,618.76 |
| Net cash flow from investing activities | -310,325,045.76 | -1,095,476,203.42 |
| III. Cash Flows from Financing Activities: | | |
| Cash receipts from capital contributions | | 1,190,000,000.00 |
| Cash receipts from borrowings | 52,241,387.30 | 132,000,000.00 |
| Other cash receipts relating to financing activities | | |
| Sub-total of cash inflows from financing activities | 52,241,387.30 | 1,322,000,000.00 |
| Cash repayments of borrowings | 10,000,000.00 | 184,440,000.00 |
| Cash payments for distribution of dividends or profits or settlement of interest expenses | 34,626,843.26 | 4,661,973.39 |
| Other cash payments relating to financing activities | 22,587.36 | 112,333,704.41 |
| Sub-total of cash outflows from financing activities | 44,649,430.62 | 301,435,677.80 |
| Net cash flow from financing activities | 7,591,956.68 | 1,020,564,322.20 |
| IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents | -34,785.59 | 1,707,762.33 |
| V. Net Increase in Cash and Cash Equivalents | -313,951,590.39 | -75,671,885.57 |
| Add: Opening balance of cash and | 524,648,100.62 | 295,049,085.02 |

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| | | |
|---|----------------|----------------|
| cash equivalents | | |
| VI. Closing Balance of Cash and Cash Equivalents | 210,696,510.23 | 219,377,199.45 |

Legal Representative: BO Lianming Person in Charge of the Accounting Body: ZHAO Ruijin Chief Accountant: WEI Yanlin

4.2 Description of adjustments in opening balances of line items in financial statements of the year due to the implementation of new revenue standard and new lease standard since 2020

√Applicable □ N/A

Consolidated Balance Sheet

In RMB

| Item | December 31, 2019 | January 1, 2020 | Adjusted amount |
|--|-------------------|-----------------|-----------------|
| Current Assets: | | | |
| Cash and bank balances | 875,858,784.58 | 875,858,784.58 | |
| Balances with clearing agencies | | | |
| Placements with banks and other financial institutions | | | |
| Held-for-trading financial assets | 540,000,000.00 | 540,000,000.00 | |
| Derivative financial assets | | | |
| Notes receivable | 4,042,559.63 | 4,042,559.63 | |
| Accounts receivable | 176,035,155.24 | 191,622,712.01 | 15,587,556.77 |
| Receivables financing | 1,980,500.00 | 1,980,500.00 | |
| Prepayments | 35,070,999.13 | 35,070,999.13 | |
| Premiums receivable | | | |
| Amounts receivable under reinsurance contracts | | | |
| Reinsurer's share of insurance contract reserves | | | |
| Other receivables | 9,618,750.08 | 9,618,750.08 | |
| Including: Interest receivable | | | |
| Dividends receivable | | | |
| Financial assets purchased under resale agreements | | | |
| Inventories | 299,966,170.35 | 283,610,860.13 | -16,355,310.22 |
| Contract assets | | 3,740,605.96 | 3,740,605.96 |
| Held-for-sale assets | | | |
| Non-current assets due within one year | | | |
| Other current assets | 44,405,513.30 | 42,064,888.10 | -2,340,625.20 |

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| | | | |
|--|------------------|------------------|----------------|
| Total Current Assets | 1,986,978,432.31 | 1,987,610,659.62 | 632,227.31 |
| Non-current Assets: | | | |
| Loans and advances | | | |
| Debt investments | | | |
| Other debt investments | | | |
| Long-term receivables | | | |
| Long-term equity investments | 139,534,371.94 | 139,534,371.94 | |
| Other equity instrument investments | 11,975,419.38 | 11,975,419.38 | |
| Other non-current financial assets | | | |
| Investment properties | | | |
| Fixed assets | 471,204,340.95 | 471,204,340.95 | |
| Construction in progress | 20,132,004.07 | 20,132,004.07 | |
| Bearer biological assets | | | |
| Oil and gas assets | | | |
| Use right assets | | | |
| Intangible assets | 332,331,324.07 | 332,331,324.07 | |
| Development expenditure | | | |
| Goodwill | | | |
| Long-term prepaid expenses | 16,908,070.34 | 16,908,070.34 | |
| Deferred tax assets | 109,023,941.85 | 109,023,941.85 | |
| Other non-current assets | 11,420,185.94 | 11,420,185.94 | |
| Total Non-current Assets | 1,112,529,658.54 | 1,112,529,658.54 | |
| Total assets | 3,099,508,090.85 | 3,100,140,318.16 | 632,227.31 |
| Current Liabilities: | | | |
| Short-term borrowings | 76,765,319.05 | 76,765,319.05 | |
| Loans from the central bank | | | |
| Taking from banks and other financial institutions | | | |
| Held-for-trading financial liabilities | | | |
| Derivative financial liabilities | | | |
| Notes payable | 37,335,841.79 | 37,335,841.79 | |
| Accounts payable | 176,624,445.46 | 176,624,445.46 | |
| Receipts in advance | 184,444,643.33 | 167,534,200.30 | -16,910,443.03 |
| Contract liabilities | | 15,777,305.81 | 15,777,305.81 |
| Financial assets sold under repurchase agreements | | | |
| Customer deposits and deposits from banks and other financial institutions | | | |
| Funds from securities trading | | | |

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| | | | |
|---|------------------|------------------|--------------|
| agency | | | |
| Funds from underwriting securities agency | | | |
| Employee benefits payable | 50,586,932.71 | 50,586,932.71 | |
| Taxes payable | 42,924,647.79 | 42,924,647.79 | |
| Other payables | 14,364,076.43 | 14,364,076.43 | |
| Including: Interest payable | | | |
| Dividends payable | | | |
| Fees and commissions payable | | | |
| Amounts payable under reinsurance contracts | | | |
| Held-for-sale liabilities | | | |
| Non-current liabilities due within one year | 64,968,795.02 | 64,968,795.02 | |
| Other current liabilities | | 1,133,137.22 | 1,133,137.22 |
| Total Current Liabilities | 648,014,701.58 | 648,014,701.58 | |
| Non-current Liabilities: | | | |
| Insurance contract reserves | | | |
| Long-term borrowings | 279,615,107.27 | 279,615,107.27 | |
| Bonds payable | | | |
| Including: Preferred shares | | | |
| Perpetual bonds | | | |
| Leasing liabilities | | | |
| Long-term payables | 3,488,100.00 | 3,488,100.00 | |
| Long-term employee benefits payable | | | |
| Provisions | 27,072,676.49 | 27,072,676.49 | |
| Deferred income | 17,108,361.69 | 17,108,361.69 | |
| Deferred tax liabilities | | | |
| Other non-current liabilities | | | |
| Total Non-current Liabilities | 327,284,245.45 | 327,284,245.45 | |
| Total Liabilities | 975,298,947.03 | 975,298,947.03 | |
| Owners' (or Shareholders') equity: | | | |
| Paid-in capital (or share capital) | 451,554,411.00 | 451,554,411.00 | |
| Other equity instruments | | | |
| Including: Preferred shares | | | |
| Perpetual bonds | | | |
| Capital reserve | 1,207,942,318.37 | 1,207,942,318.37 | |
| Less: Treasury shares | | | |
| Other comprehensive income | 3,287,063.85 | 3,287,063.85 | |
| Special reserve | | | |
| Surplus reserve | 22,800,224.13 | 22,800,224.13 | |

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| | | | |
|--|------------------|------------------|--------------|
| General risk reserve | | | |
| Retained profits | 288,975,820.29 | 290,254,555.17 | 1,278,734.88 |
| Total Owners' (or Shareholders') Equity Attributable to Owners of the Parent Company | 1,974,559,837.64 | 1,975,838,572.52 | 1,278,734.88 |
| Minority interests | 149,649,306.18 | 149,002,798.61 | -646,507.57 |
| Total Owners' (or Shareholders') Equity | 2,124,209,143.82 | 2,124,841,371.13 | 632,227.31 |
| Total Liabilities and Owners' (or Shareholders') Equity | 3,099,508,090.85 | 3,100,140,318.16 | 632,227.31 |

Description of adjustments on each item:

√Applicable □ N/A

In accordance with the *Accounting Standards for Business Enterprises No.14- Revenue* (Cai Kuai [2017] No. 2) issued by the Ministry of Finance on July 5, 2017, for enterprises listed in domestic and oversea stock exchange concurrently and enterprises listed overseas with the financial statements prepared under international financial reporting standards or accounting standards for business enterprises, the new revenue standard shall be implemented from January 1, 2018; and for other enterprises listed domestically, the revenue standard shall be implemented from January 1, 2020. As a domestic listed company, the Company adopted the new revenue standard as at January 1, 2020 on the basis of making adjustments on the opening balance of relevant items recognized in the financial statements of 2020 with the data in comparable period unadjusted, according to which: (1) the goods payments received in advance originally qualified for conditions of "Receipts in advance" were charged to the line item of "Contract liabilities"; (2) the rights of the Company for collecting the considerations for goods that have been transferred to customers, which depend on factors other than the lapse of time, were charged to the line item of "Contract assets"; (3) for goods sold under the model of "profit distribution", income from customers received but not recognized were changed as it satisfied the condition of revenue recognition under the new revenue standard.

Balance Sheet of the Parent Company

In RMB

| Item | December 31, 2019 | January 1, 2020 | Adjusted amount |
|-----------------------------------|-------------------|-----------------|-----------------|
| Current Assets: | | | |
| Cash and bank balances | 570,479,390.49 | 570,479,390.49 | |
| Held-for-trading financial assets | 540,000,000.00 | 540,000,000.00 | |
| Derivative financial assets | | | |
| Notes receivable | 3,542,559.63 | 3,542,559.63 | |
| Accounts receivable | 299,315,776.44 | 295,616,359.63 | -3,699,416.81 |
| Receivables financing | 442,500.00 | 442,500.00 | |
| Prepayments | 6,410,257.48 | 6,410,257.48 | |
| Other receivables | 67,227,575.21 | 67,227,575.21 | |
| Including: Interest receivable | | | |

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| | | | |
|--|-------------------------|-------------------------|---------------|
| Dividends receivable | | | |
| Inventories | 135,617,379.22 | 135,617,379.22 | |
| Contract assets | | 3,699,416.81 | 3,699,416.81 |
| Held-for-sale assets | | | |
| Non-current assets due within one year | | | |
| Other current assets | 12,280,164.39 | 12,280,164.39 | |
| Total Current Assets | 1,635,315,602.86 | 1,635,315,602.86 | |
| Non-current Assets: | | | |
| Debt investments | | | |
| Other debt investments | | | |
| Long-term receivables | | | |
| Long-term equity investments | 257,795,276.13 | 257,795,276.13 | |
| Other equity instrument investments | 7,075,419.38 | 7,075,419.38 | |
| Other non-current financial assets | | | |
| Investment properties | | | |
| Fixed assets | 60,391,512.92 | 60,391,512.92 | |
| Construction in progress | 1,385,496.59 | 1,385,496.59 | |
| Bearer biological assets | | | |
| Oil and gas assets | | | |
| Use right assets | | | |
| Intangible assets | 330,796,423.87 | 330,796,423.87 | |
| Development expenditure | | | |
| Goodwill | | | |
| Long-term prepaid expenses | 12,771,126.83 | 12,771,126.83 | |
| Deferred tax assets | 9,545,438.20 | 9,545,438.20 | |
| Other non-current assets | 6,744,453.85 | 6,744,453.85 | |
| Total Non-current Assets | 686,505,147.77 | 686,505,147.77 | |
| Total assets | 2,321,820,750.63 | 2,321,820,750.63 | |
| Current Liabilities: | | | |
| Short-term borrowings | 10,217,738.36 | 10,217,738.36 | |
| Held-for-trading financial liabilities | | | |
| Derivative financial liabilities | | | |
| Notes payable | 37,335,841.79 | 37,335,841.79 | |
| Accounts payable | 162,596,838.45 | 162,596,838.45 | |
| Receipts in advance | 11,116,659.11 | 4,387,326.61 | -6,729,332.50 |
| Contract liabilities | | 6,485,831.14 | 6,485,831.14 |
| Employee benefits payable | 26,985,668.92 | 26,985,668.92 | |
| Taxes payable | 1,534,242.70 | 1,534,242.70 | |

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| | | | |
|---|------------------|------------------|------------|
| Other payables | 42,599,703.36 | 42,599,703.36 | |
| Including: Interest payable | | | |
| Dividends payable | | | |
| Held-for-sale liabilities | | | |
| Non-current liabilities due within one year | | | |
| Other current liabilities | | 243,501.36 | 243,501.36 |
| Total Current Liabilities | 292,386,692.69 | 292,386,692.69 | |
| Non-current Liabilities: | | | |
| Long-term borrowings | | | |
| Bonds payable | | | |
| Including: Preferred shares | | | |
| Perpetual bonds | | | |
| Leasing liabilities | | | |
| Long-term payables | 3,488,100.00 | 3,488,100.00 | |
| Long-term employee benefits payable | | | |
| Provisions | 14,631,273.00 | 14,631,273.00 | |
| Deferred income | 15,724,174.30 | 15,724,174.30 | |
| Deferred tax liabilities | | | |
| Other non-current liabilities | | | |
| Total Non-current Liabilities | 33,843,547.30 | 33,843,547.30 | |
| Total Liabilities | 326,230,239.99 | 326,230,239.99 | |
| Owners' (or Shareholders') equity: | | | |
| Paid-in capital (or share capital) | 451,554,411.00 | 451,554,411.00 | |
| Other equity instruments | | | |
| Including: Preferred shares | | | |
| Perpetual bonds | | | |
| Capital reserve | 1,310,939,867.82 | 1,310,939,867.82 | |
| Less: Treasury shares | | | |
| Other comprehensive income | | | |
| Special reserve | | | |
| Surplus reserve | 21,522,683.40 | 21,522,683.40 | |
| Retained profits | 211,573,548.42 | 211,573,548.42 | |
| Total Owners' (or Shareholders') Equity | 1,995,590,510.64 | 1,995,590,510.64 | |
| Total Liabilities and Owners' (or Shareholders') Equity | 2,321,820,750.63 | 2,321,820,750.63 | |

Description of adjustments on each item:

√Applicable □ N/A

In accordance with the *Accounting Standards for Business Enterprises No.14- Revenue* (Cai Kuai [2017] No. 2) issued by the Ministry of Finance on July 5, 2017, for enterprises listed in domestic and oversea stock exchange concurrently and enterprises listed overseas with the financial statements prepared under international financial reporting standards or accounting standards for business enterprises, the new revenue standard shall be implemented from January 1, 2018; and for other enterprises listed domestically, the revenue standard shall be implemented from January 1, 2020. As a domestic listed company, the Company adopted the new revenue standard as at January 1, 2020 on the basis of making adjustments on the opening balance of relevant items recognized in the financial statements of 2020 with the data in comparable period unadjusted, according to which: (1) the goods payments received in advance originally qualified for conditions of “Receipts in advance” were charged to the line item of “Contract liabilities”; (2) the rights of the Company for collecting the considerations for goods that have been transferred to customers, which depend on factors other than the lapse of time, were charged to the line item of “Contract assets”.

4.3 Description of retrospective adjustments in comparable data for previous periods upon the first adoption of the new revenue standard and new lease standard since 2020

Applicable N/A

4.4 Auditor’s report

Applicable N/A